THE MAGAZINE OF WALL STREET

AUGUST 6, 1932

Rally or Recovery?

By A. T. MILLER

How Currency Tampering Has Affected Dollar's Value

By JOHN C. CRESSWILL

Mid-Year Appraisal of Business and Investment Prospects

Rails — Public Utilities — Equipments

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WITH THE EDITORS

Killing the Goose That Lays the Golden Egg

WE have had, naturally, occasion to make many contacts with the Department of Commerce, which is an unequaled source of business information. We have also personally observed its work both at home and abroad, and can assure our readers that it is alert, practical and energetic. We know of our own knowledge of many particular instances where it has served American business in the most practical dollars-and-cents way. It strikes us as being a big collective hired man of American business—doing for all of us what none of us could do for ourselves. Its work is indispensable.

We are inexorable in our insistence on economy in government expenditures. We applaud Congress for cutting departmental budgets by 500 million dollars and criticize it for not making the slash larger. But we resent the inequity of making the relatively small appropriation of the efficient Commerce Department — representing only 1.5 per cent of the budget — stand a cut of 27 per cent, while the big, over-manned and superfluously bureaued departments, with their abundant political contacts and job opportunities, were let off with an average reduction of 5 per cent. Its friends deserted it when "locust swarms" of lobbyists were opposing reductions of other departments. In fact, business men and business organizations, carried away by their laudable enthusiasm for economy, actually picked their own great business-help department of the Government for particularly vicious and unreasonable onslaughts.

While this was going on, the business community was making unprecedented demands on the facilities of the department.

What the practical effect of the reduction may be is reflected by the fact that one business group is reported to be willing to put up $10,000 a year to have certain services continued. But the small and isolated business men who are relying upon the assistance of the department cannot afford to make such contributions. Undoubtedly they will be glad to pay fees for particular services, but the loss of the facility will be disastrous to them.

It is a sad commentary on business as well as Congress that while the practical and non-paternal help the Government gives to business in return for taxes was being both hugely and pettily curtailed, not a hand was effectively raised to reduce the fearful drain of the veterans' bureau, at least half of whose expenditures is nothing but a corrupt sop to the soldier vote, and to the least patriotic part of it at that.

The Department of Commerce is what it is largely because it performs functions promotive of American business at home and abroad which cannot be performed by private agencies. Its activities have been enlarged from time to time chiefly by the initiative of business. It is a supply created by demand. Yet its sponsors have stood by while it was being sacrificed—not to economy but to politicians.

With a trade war raging throughout the world we have reduced our forces and deprived them of their equipment. While we desperately need every trade dollar we can get we have bled the Department of Commerce white in order to perpetuate monstrous profligacy in departments that consume but do not make dollars, either for the Government or citizens.

In the Next Issue

Weighing the Prospects of Early Recovery

By JOHN D. C. WELDON

Where Do We Stand On Such Problems As

—Adjustment of Corporate Debt
—Are Receiverships Inevitable?
—Maladjustment Between Prices of Raw and Finished Goods
—Corporate Earning
—Replacement Demand
—Natural Price Increase or Inflation

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The Trend of Events

—The Picture of Europe Today
—British Statesmen in America
—On the Way to a Grain Soviet
—We Can Compete on Price
—Rail Consolidation
—The Market Prospect

THE PICTURE OF EUROPE TODAY

SENATOR BORAH, gushing over the Lausanne agreement and the Franco-British accord, refers to "that great statesman, Herriot." We agree in this characterization but for quite different reasons than the Senator. Any statesman who could go to Lausanne, which was all set to give France a much-needed international disciplining, and come away with all Europe in his bag is a genius. Yet naive Paris correspondents express surprise at the equanimity with which the French public accepted the outcome of Lausanne. It is a wonder that it did not stage a national celebration.

Three great objectives of French policy were promoted by the Lausanne Conference. By grandly sweeping aside the substance of reparations, which were uncollectible in any event or in any way, France has (1) indefinitely prevented Germany from regaining her old supremacy in Europe, (2) achieved an accord with Great Britain, and (3) saved the gold standard.

Germany went to Lausanne in a belligerent mood. She intended to have her way in the destruction of the Treaty of Versailles, or bolt the conference. Instead, she raised no effective protest against the Treaty and accepted as the price of silence what France had previously offered; viz., the remission of reparations. And the price was paid too late to save Germany from a financial and economic debacle. This will not disturb the serenity of France, although the ensuing dictatorship in Germany and the subsequently and openly avowed determination to arm on equal terms with other nations is disturbing. The ink was not dry on the agreement before the Bank of International Settlements, dominated by France, summoned the nations to hasten back to the gold standard—that foundation of French domination of Europe. Having demonstrated her magnanimity by getting everything she wanted from the Conference, France capped her triumph with the establishment of an accord with Britain, which simply means that the Treaty of Versailles will remain the law of Europe and France its policeman. Germany is left to run her fatal course of internecine quarrel and division, as evidenced by the recent campaign which culminated in the Reichstag election of July 31. In the partition of power among the Hitler-led Nazi, Von Papen's Junkers and the old Bruening followers, the balance of power may be held by the 88 seats of the Communists.

It all comes to this: France was on top and she stays on top. Consequently nothing is settled finally, for France's policy is not one of European good will and conciliation but first, last and always one of French supremacy at any cost to other nations.

SEVEN BRITISH CABINET MEMBERS IN AMERICA

SEVEN British cabinet ministers are in Ottawa. For the time being Ottawa is the active capital of the Empire. It is strange that so little has been made by the press of this presence of so many British statesmen. Is it the proximity of Washington that has lured the British government to America? These highly placed gentlemen are doing much talking in the Imperial Conference but we venture that they are doing much thinking about Washington. What a wonderful opportunity for the two great English speaking governments to have a little conference of their own. They have some weighty subjects to discuss—the coming international economic conference, the British debt to the United States, the gold standard, disarmament. And what about an Anglo-American rapprochement should the Ottawa parley fail? If Mother England and her lusty children cannot realize the bright dream of an economically united Empire she will have to seek her imperative trade requirements elsewhere. Even now the United States buys more from the old country than Canada does. If the Empire fails her Britain will have to turn to the world in general. Foremost in the world stands the United States. The British government is temporarily at Ottawa, only a few hours from the American government. What an opportunity for a meeting of the rulers of the two powers which together may shape the destinies of the world!

ON THE WAY TO A GRAIN SOVIET

IT is no petty quarrel that has led to the order of the Grain Futures Commission suspending the Chicago Board of Trade for sixty days unless it complies with the condition that the Farmers' National Grain Corporation shall be accorded clearing privileges.

It is a bitter battle in the program of the Department of Agriculture and the Farm Board to wipe the speculative grain markets off the map.

The mad career of the Farm Board in its Don Quixotic assault on the windmill of grain and cotton prices was merely a temporary diversion from its central purpose, which is to completely co-operatize American agriculture, and centralize all purchases and sales of the staple farm products in a few co-operative corporations. Now that it has returned bedraggled from its joust with the mill the Board is concentrating its energies on its main reason for being.

Manifestly if all the grain in the United States is handled through one enormous central co-operative there will be no use for grain exchanges, cash or speculative. In the meantime the Farmers' Grain Corporation has great need of the grain exchanges. The Chicago Board of Trade does not propose to be used for the promotion of its own extinction. So it endeavors to make the Grain Corporation transact its own business all by itself.

What the struggle really means is that the Government of the United States is undertaking to sovietize the grain trade. With that objective in view it is willing to take the terrific risks of leaving the United States without any great central grain exchange pending the time when the Grain Corporation may become one in effect.

WE CAN COMPETE ON PRICE

ADVERSITY has its uses, painfully as they come. The drastic deflation that has overtaken agriculture and the raw material prices is restoring to America the competitive advantages which it was fast losing in world markets. Cheap American cotton is regaining old markets and entering new ones. The wheat farms of the plains are prepared to meet all comers at any price. Coal is ready for a price battle in any part of the world within its transportation range. Lumber is down to a price level that even makes the Soviets pause. Pork products are so low that they make the world hungry for a square meal. It is true the price of our manufactures have more stubbornly resisted, secure in the protected home market, but the deflation of their domestic buyers will eventually force than into line. After the depression we shall face the world much as we did when the country was new and virgin. We will compete in international markets with the lowest price levels.

RAIL CONSOLIDATION

THE Interstate Commerce Commission's plan for consolidation of the leading Eastern railroads into four great systems has attracted widespread public interest and no doubt has contributed to the improved sentiment recently reflected in the securities markets. Railroad securities had been oversold to a point which amply merits substantial rally on psychological grounds alone. Yet it would be easy to exaggerate the actual importance of this latest merger plan. It represents a certain amount of progress in a situation so complicated and involving such conflicting interests that it can only be worked out over a period of years. The plan is an improvement over that previously advanced by the Commission, in that it abandons the utopian scheme for a fifth major system built around the Wabash and the Seaboard Air Line, both now in receivership. It is by no means entirely acceptible, however, to the roads affected. Contrary to some published comment, a consolidation of this kind would not involve substantial new financing, but merely an exchange of existing securities. Nor would it increase employment. Indeed, it would displace some workers in seeking its avowed goal of greater operating efficiency.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 440. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, August 1, 1932.

As I See It — By Charles Benedict

The Quest of the Impossible at Ottawa

REPORTS from the British Empire Economic Conference at Ottawa day by day reveal that the real objective is to reduce the participation of the United States in the foreign trade of the Empire. What was described as being an attempt to widen world trade by breaking down the tariff barriers that divide the Empire, thus setting an example worthy of emulation, is turning out to be nothing but another manifestation of nationalism, just as provincial as the British characterize our trade policies. The Conference is becoming a mere sordid dicker for individual advantage with little thought of particular sacrifice for the imperial good.

It may be just a coincidence but it may also be a sign of what the world thinks of Ottawa that as the dickering proceeds the pound sterling drops, the dollar rises and gold flows to New York. We interpret this fall of British exchange as meaning that the markets are already discounting the conference as a fiasco. We recall that in London last spring there were admonitions that the summoning of the conference was a mistake of policy, as it was aimed at the achievement of the impossible and would only result in an advertisement to the world of the essential disunity of the Empire economically as well as politically.

No doubt there will be a great fanfare of the imperial trumpets at the end, noble and sonorous resolutions and a stirring chorus of "God Save the King." Lumps will rise in British throats and the revival of the Empire will be proclaimed. Noble sentiments will be deeply stirred—but the hard facts will remain. On the very day the Conference assembled the statisticians of the Canadian government reported that in the month of June Canada sold more goods to the United States than to the whole of the British Empire, despite every effort of both the United States and Canada to ruin their reciprocal trade by legislation.

Even with success beyond expectations nothing will come out of the Congress of the British nations that need disturb the United States. Let us examine some of the particulars of the situation.

Canada and Australia demand something like a monopoly of the British market for their wheat. It is hard wheat. We have little or no surplus of hard wheat to export. Our own mills require it. Britain needs to draw on our soft wheat surplus and she will continue to do so regardless of agreement with her dominions. That disposes of the wheat menace, so far as we are concerned. But what about the Argentine, whose hard wheat sent to England pays for imports from England that are about equal to Canada's?

Canada and South Africa desire to supply Britain's beef and cattle requirements. Again, what about the Argentine? Will England cut off the beef of the pampas, and with it the British exports it buys?

It is planned to strike a blow at American branch factories by demanding an increasing portion of locally derived raw material in their products if they wish to share in inter-imperial tariff preferences. If this is done many branches will be closed, and few new ones will be established. What good will that do Canada, for example?

The plants that remain will increase their output. How will that help British manufacturers in the Canadian market—or anywhere else? And the Canadians will not forget that every American branch factory means a step toward balancing trade between Canada and the United States.

Outside of American branches the dominions sell but small amounts of manufactured goods, aside from foodstuffs to England.

But suppose the preferential tariff juggling results in replacing some of our exports of manufactures to the dominions with British goods. Who will pay the tariff bill? The citizens of the dominions. How long will they stand for that when they really want the grade or type of goods made in the United States.

And while we are on that point of tariff costs, who will have to bear the burden of the tariffs or the embargoes England will have to impose to give the dominions a monopoly of her food stuffs imports? The already overtaxed British people.

Suppose England tries to accede to the Canadian demand for a preference on lumber? Lumber is what the Soviets use for money to pay their bills for English goods—so also with the North European countries.

Finally, note the fact that 70 per cent of the exports of the United Kingdom go to non-British countries. Is Britain likely, when the band has ceased playing and the seven cabinet ministers are back at their prosaic desks in Downing street, to upset the 70 per cent for a chimerical increase in the 30 per cent. It not only is unlikely, it doesn't make sense.

We wish the Empire all good fortune. In the long run any aggrandizement of it that might come out of an imperial economic union would benefit us. Such aggrandizement may come in the natural course of events but no Conference can alter the facts or the trade relations based upon them. No agreement between mother country and her dominions or dependencies can alter the desire on the part of consumers in every country to buy on the basis of low prices before any other consideration.

For this reason the United States need have no qualms as to the trade it might lose as a result of intra-British arrangement. The prices of our raw commodities have reached such levels that we can and will compete in all markets of the world in the profitable sale of our surpluses.

¶ *Present Strength Recalls Sudden Reversal of Downtrend in 1921 But New Conditions Warrant Caution in Relying on Precedent.*

¶ *Little or No Sacrifice of Opportunity Is Involved in Pursuing a Waiting Attitude for Market to Prove Itself or Establish Genuine Basis for a Turn.*

Rally or Recovery?

By A. T. Miller

THE stock market has had an impressive and very widely advertised rally—so widely advertised, in fact, as to suggest the probable wisdom of regarding it with caution. At this writing, regardless of its possible ultimate significance or lack of significance, the fast marking up of prices and sharp increase in trading volume appear to indicate at least a temporary climax in the movement.

There is no disposition in this article to argue with the tape. Considering the level from which it started, the season of the year and the persistent character of the advance over a period of a fortnight, the rally is the most interesting of the year. If it is maintained or renewed in strong fashion after corrective reaction, it may be taken as tentatively indicative of an important reversal of trend.

Drain On Technical Strength

As to this, whatever one's doubts as to the economic validity of major advance at this time, the practical analyst can only let the market reveal its own story. The majority of stocks have advanced moderately above the highest levels of the June recoveries. This is widely accepted as an encouraging demonstration of technical strength. It is. Yet the performance has rested to a large extent upon the operations of professional traders and upon the "running in" of the short account. In this very process technical strength is used up.

Logically, therefore, technical reaction would supply an equally interesting test, indicating whether strong support points had been established somewhat above the recent bear market lows. If so, the market would next face a test of ability to better the recent highest quotations. It would be possible for reaction to assume significant proportions in the early future, but it now appears more likely that coming weeks will see at least a determined effort at intermediate recovery. Given such a performance, its validity can hardly be appraised except over a period of weeks. Meanwhile, any risk of missing a turn seems worth accepting, for there is scant reason to expect a three-year deflation to be converted almost overnight into a bull market.

Doubtless, the one question which most persons are asking is, "Is it real? Is this the turn?" It is a question to be answered only by the course of events.

One thing, however, is clear. The evidence of a basic turn is far from convincing. Indeed, it is decidedly meager. For cautious investors this should be sufficient answer for the time being. There has been a great improvement in public sentiment. Various factors account for it, notably the reversal of Europe's drain upon our gold supply, the increasing strength of the dollar in the foreign exchange markets and the abatement of political uncertainties following the adjournment of Congress. Sentiment has also been bolstered by the spectacle of persistent advance week after week in the bond market, as well as modest and tentative advance in a minority of commodities.

All of these developments are genuinely encouraging, but they do not tell the whole story. Perhaps the outstanding psychological fact is that a few constructive developments have brought the American public to a sudden realization that the prevailing fears of a few weeks ago were exaggerated and that, regardless of the immediate industrial picture, the country is not on the brink of collapse.

This change of attitude no doubt played a large part in the inception of the rally. Conversely, recent extension of the rally has contributed to a further marked gain in sentiment. Many who at first regarded the advance with skepticism have with remarkable rapidity been brought to the conclusion that it may now be taken as an informed forecast of fall business revival. It may certainly be taken as an expression of hope in the autumn prospect, but that it rests upon any actual knowledge of more favorable coming events is highly doubtful. To the thoughtful observer the market's clairvoyant abilities during the last three years can not appear impressive. On the way down it consistently lagged behind the business realities.

One such guess will, of course, be correct some day. Precedent suggests that it is more likely to be correct during the autumn season than at any other time. No damage will be done, therefore, if we maintain a highly optimistic attitude while sitting upon the fence and awaiting developments.

Misleading Optimism

There is only one aspect of the recent movement to which serious exception can be taken. That is the deliberate campaign of newspaper ballyhoo which surrounds it and which greatly exaggerates the significance of very minor business gains. The front pages of the press are flooded with optimism. We have had these campaigns approximately once a year since the depression started and in the joyous chorus the voices of Washington officialdom

have heretofore been both loudest and most mistaken.

If it proves that we are in the incipient stage of a genuine business recovery, it would be too bad to threaten the movement with an excess of optimism, for sound recovery out of the present stagnation can only be gradual and over-rapid rallies, either in securities, business or sentiment, have a disconcerting way of relapsing.

The fact that we are approaching a Presidential election is not to be lightly ignored. A story already is heard that larger financial interests, hopeful of a Republican victory, will do everything possible to achieve higher security prices this autumn. The wish is perhaps father to the thought. The story should be taken with a large grain of salt, for manipulative powers are by no means infallible unless the fundamentals are favorable.

There are some investment fundamentals of a longer-term nature, however, which are related to the election. At least until this event, there is an obvious motive for the Administration to put the best possible face upon conditions and to exert itself to the utmost in trying to stimulate business through the operations of the Reconstruction Finance Corporation and the various other credit expedients adopted in the last year. This whole program is a bet upon relatively early business recovery. If we do not get its start this autumn, it appears quite likely that 1933 will see a brake put upon the application of public credit in the support of private obligations, many of which will be unpayable except in the event of a rise in commodity prices.

In short, government may be forced to withdraw somewhat from the struggle next year or to adopt at least a more passive attitude, permitting economic forces a greater measure of freedom to work their own correctives. If genuine recovery is much longer delayed, many sub-surface problems will have to be dealt with, including corporate receiverships, governmental retrenchment and unemployment. This possibility necessitates that any business improvement this autumn will have to be scrutinized with minute care. After a prolonged depression, in which replacement demand inevitably accumulates, it would be quite possible to have a rally in business, as in securities. A rally is not a basic turn.

It is of interest to many that in the great depression of 1921 the stock market made its genuine upward turn in August, a precedent which, in some minds, lends hope to the present movement. Unfortunately, precedent is not an infallible guide to future market movements. If it were, all speculators would be millionaires.

The business charts of that period show that business turned upward definitely as early as March of 1921 and that stock prices lagged well behind this movement. The August low in that year appears to have been something of an accident. There had been a tentative recovery during the early summer, based on improving business, but liquidation was resumed due to a recurrence of fears as to the country's banking situation. In August, after it became clear that financial fears had been exaggerated, business and stocks began a sustained recovery together.

It is of passing interest that in all of the major depressions since the Civil War the low point in stock prices has been established between the months of May and August, inclusive. The revivals in such periods have usually been stimulated, if not caused, by the great influence upon business activity of the harvesting and movement of crops. In relation to the general business fabric, crop harvesting is not now as important as it was thirty years ago, but it still provides an important stimulus at the time of normal seasonal pick-up in general business.

In all of the older recoveries, a variety of factors were involved. Invariably, however, in protracted depression, a point was reached at which it was realized that an enormous replacement demand had been accumulated. This expressed itself only after public confidence in the financial situation had been restored.

No one can presume to estimate whether our major problems have now been sufficiently adjusted to permit the beginning of recovery, but the existence of a replacement demand for goods of all kinds can probably be taken for granted. It is also likely that the greatest retarding factor is lack of public confidence in the financial situation. It remains to be seen whether in this respect the current improvement will prove significant. Financial confidence depends upon more than a decline in bank failures. Fear of unemployment or wage cuts is now a disturbing factor.

Meanwhile, the basic business indexes give only slight and tentative confirmation to the widely published accounts of reviving business activity and expanding employment. Operations of the steel industry remain at the recent low level of 16 per cent of capacity. Within the industry confident hope of improvement in September is voiced. It would be strange, indeed, if some autumn gains were not experienced, but a doubling of operations would leave the industry in the red. Railway car loadings continue at approximately the lowest level of the depression. Electric power output is still running more than 13 per cent under the figure of a year ago.

Building contracts have receded slightly and remain at a level of stagnation. Seasonal recession, involving reduced orders for steel, is under way in the automobile industry. Statistics of retail trade and of bank clearings do not yet show significant improvement. Such indexes of course, may lag behind incipent revival but the lag cannot be important.

A genuine improvement can scarcely fail to show up in these barometers within a period of weeks. If one has to pay a premium for awaiting such assurance, it is amply worth the price.

Landmarks of Wall Street, Old and New

No. 1

Douglas Photo from Nesmith

Old Trinity Church

French Photo from Nesmith

This Year's Crops May Bring Business Turn

Further Improvement in Farmer's Position Means Increased Purchasing Power and a General Boost to the Entire Commodity List

By George L. Adamson

BEFORE the world was turned upside down, when plenty was synonymous with prosperity, good crops went hand in hand with good times. Now prices are more significant than quantities.

One denoted way out of the present valley of depression is short crops and better prices.

In the United States the 1932 wheat crop is certain to be far below normal—150 million bushels less than in 1931—the cotton crop is indicated to be lower than in any year since 1922, the hog crop for the marketing year beginning on October 1 is estimated to be 7 per cent less than last year; beef cattle are scarcer, dairy stocks are low. The corn crop will be large, which will be a blessing if hog and cattle prices hold up. The net outcome may be a sustained rally in the prices of the staple cash products of the farms.

The boom in hog prices during June and part of July caused a wave of optimism to sweep over the Mississippi Valley that somewhat quenched the pessimism engendered by the lowest wheat prices in 400 years.

Judging the present by the past the world seems to be on the floor of the valley of the depression that started in 1929. The valley may be wide or narrow. That depends more upon business psychology than upon economic statistics. Any happening that profoundly stirs hope and tautens courage may put us on the upward road. What is needed is a starter. It may be found in agriculture this year. At any rate the whole of business America is looking to the farms for a good omen.

It might be thought that with farm income only a sixth or less of national income, and with the actual farm population but 20 per cent of the whole, there is slight reason for prosperity to bud in the rural regions. The persistent tradition born of a hundred years of agricultural dependence may account for much of the hope that the long-awaited revival will come out of the land. But there is a solid economic reason for the general opinion that if times are good on the farms they will be good also in the cities. Economically the small towns and villages with their 25,000,000 people must be grouped with the farms.

That makes 50,000,000 people who are closely related in fact and in thought to the soil. Good prices for farm products in general will cause that multitude to face the dawn of better times.

Besides, cash farm income, after a long depression, spurts into business channels with a rush. The dollars whirl from hand to hand, working over time, paying debts, buying long-needed supplies. The mental tinge of vast areas may be suddenly changed by the unaccustomed sight of cash and millions of business men may be stirred to hope and spurred to action. The ferment is highly contagious and may spread rapidly over the nation, inducing a return of confidence in the cities even before smokestacks belch and machinery roars.

On the other hand, history tells us that agricultural prices may remain low, even after business in general is on the rise. The farmer may tag along, but just now he is in the spotlight of hope.

Hogs and Corn

The critical banking situation in Chicago during June emitted a pall of gloom that hung heavy over that area and somewhat obscured the business atmosphere of the entire nation. The lowly hog and the dumb steer, as well as the Reconstruction Finance Corporation, came to the rescue. In five weeks top hog prices at Chicago climbed from \$3.50 to \$5.55 per hundred, beef cattle gained 30 per cent. This represented a paper appreciation of several hundred million dollars in farm assets. Recently there has been some setback in prices. The rise may be only the normal seasonal advance somewhat accentuated by unusually curtailed shipments, due to the press of farm work and the inclination of farmers to wait for better prices, but packers say demand is rising for lard, pork and beef. The current hog crop is reported to be 5 per cent larger than last year but the fall crop is rated at 7 per cent less.

Corn is waving promisingly on more than a hundred million acres. A preliminary estimate puts the acreage at 108 million, which would be the record since 1924, and indicating about a three-billion bushel crop—some 400 million bushels above the average of recent years. With corn selling on the farm at around 30 cents—almost 40 cents below pre-war prices—there is not much promise in the inherent statistical situation. But corn is the raw material from which hogs are manufactured and corn farmers figure in terms of the hog-corn price ratio rather than on corn alone. High hogs and low corn would paint a different picture. That ratio is now 10.4 in the North Central states, as against a ratio of 12.2 in the pre-war five-year period. Hogs and corn have gone down together and they may go up together, but the outlook is for an increase in the ratio in the new crop year. The North Central states ratio was 11.9 in June a year ago, when hogs were selling at \$5.70 and corn at 53.8 cents.

Recent gains in the price of an increasing number of agricultural products and the longer range outlook for the great staples—wheat, corn and cotton are a highly significant factor in the business prospect of coming months—Improvement in the economic status of 50 million people is a potent force in producing general revival.

There is nothing superficially encouraging in the fact that with the entire wheat crop of the United States for 1932 estimated at about fifty million bushels less than the winter wheat crop alone of 1931, farmers in North Dakota are getting as low as 22 cents a bushel for No. 1 northern. They have a bumper hard spring wheat crop in the Northwest, too; upwards of 300 million bushels, including durum, as against only 117 millions last year. The trouble is that Western Canada, which had a virtual crop failure last year had promised to come back with 450 million bushels this year, although as this is written reports of hot weather deterioration on half the Canadian acreage jumped wheat two cents a bushel. On the other hand, the European wheat crop is calculated to be 40 or 50 million bushels less than last year—omitting Russia, which seems to be out of the export circle this year. It is no wonder that the hard spring wheat farmers are frantic and setting themselves to hold their wheat for a dollar a bushel or more. The gross figures would portend defeat for them but there is a technical point to be observed.

Premium for Hard Wheat

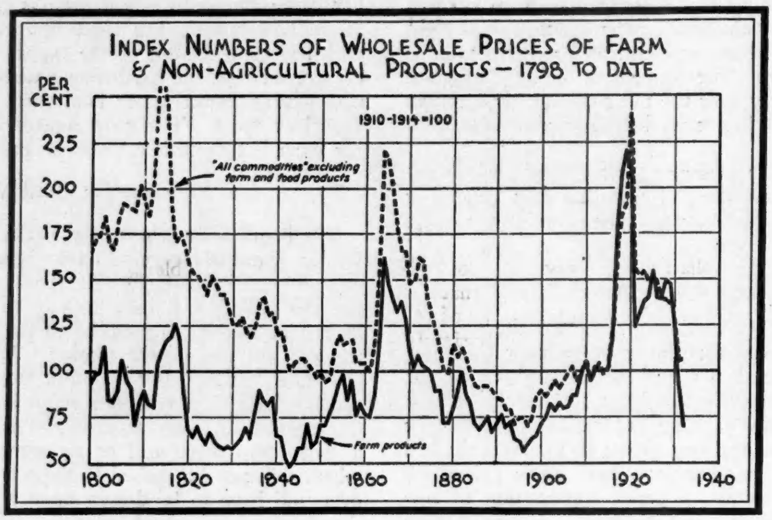
The bread flour wheat of America is hard wheat. The winter wheat shortage is all in hard wheat—Kansas has only 80 million bushels. If the northern farmers stand pat the millers will have to pay the price. This would be the psychological moment to page the Farm Board if it were not out of the market. Don't forget the tariff on wheat, either. It may work this year. All told, this year's wheat crop will just about suffice for domestic requirements. The carryover is 300 million bushels but with a short crop there will be no storage complications, and wheat will not be rushed to export. Much of the carryover will have to be drawn upon by the mills because of the current hard wheat shortage. The total United States wheat supply will be about 150 million bushels less this year than last. The world wheat supply for 1932-33 crop year may be a hundred million bushels less than last year, omitting Russia and China. Taking domestic conditions and world conditions together the prospect is that the world market may not dominate American wheat prices. The northern hard wheaters may get their dollars for their abundant crop, but even a dollar will not multiply into much of a gross in Kansas, with its piffling 80 million bushels of this commodity.

If the business psychology of the world should improve, the wheat prospect will be much improved. The overproduction of pessimism has as much to do with wheat as other prices. In truth, there is no real overproduction of wheat. During the three years 1926-28, more wheat was produced than in 1929-31 but the price was twice as high. Wheat may do some fascinating price acrobatics this crop year. In any event, the Northwest, which has had some awful crop "breaks," as well as other bad luck, in recent years will have a comeback.

The statistical position of cotton is not good, despite the fact that the planted acreage is 9.5 per cent less than last year, 19.1 per cent less than in 1930, and lower than in any year since 1922. The indicated crop may be less than 12 million bales — 5 million bales less than last year — but the world carryover of American cotton on July 31 was placed at more than 13 million bales, and the world carryover of all cotton at more than 17 million. This is the largest on record. The farm price is around 5 cents a pound as against 20.2 cents average in the short crop year of 1927 and 18 cents in the big crop year of 1928. Yet the fact that cotton prices have gained lately indicates

that there is some price hope. One favorable factor is that a considerable quantity of the carryover is still in the hands of the raisers or other interior holders. This will result in a relatively strong selling position if there should be an increased demand, which recent developments indicate.

Exports have been amazingly heavy. For the first ten months of the crop year the total movement from the United States was 7,898,000 bales — 26 per cent above the corresponding period of last season and the largest since the crop year of 1913-14, with the exception of 1926-27. This great increase in exports is mainly due to the low price. American cotton, on the bargain counter, has been winning back markets lost in recent years. It is also going to mills that never used it before. The Farm Board is out of the stabilization effort, its 1,300,000 bales are being prudently released, and American prices are not artificially pegged.



INDEX NUMBERS OF WHOLESALE PRICES OF FARM & NON-AGRICULTURAL PRODUCTS — 1798 TO DATE

Just how much of the heavy exports represents buying for current consumption and how much for storage against future higher prices is not known, but there has been a heavy increase of consumption in the Orient along with short crops in that part of the world. During April and May, Great Britain, France and Italy each doubled their imports of American cotton over last year, and even Germany took 32 per cent more. It is probable that the cheapness of cotton is bringing it back into favor as a textile material. Momentum once gained in that direction will be retained for some time. That being the case, a smart revival in domestic consumption would largely lift the price weight of the carryover. The domestic market is the worst feature of the cotton situation, but one which may change rapidly with business improvement and returning optimism. It is taking about a third less cotton than it did in 1928-29.

Cotton and a Business Rebound

At the best, though, it is impossible to forecast any contribution by cotton to early business improvement. A business revival will lift cotton, but such a revival will receive no initial impetus from that great staple of commerce. The repercussion of some general revival, however, of cotton on general business would be enormous. It represents a major part of the buying power of about 40 million people. Like wheat, any marked improvement in the general tone and vigor of business, will cause an appreciation of cotton independent of the statistical situation. The present agony of the cotton farmers may be the birth pains of a better time. It is no small achievement for this great surplus crop to be regaining its volume position in world consumption.

It has great advantages over wheat in foreign markets in that it is mainly sold in domestically non-competitive markets and to buyers who must rely upon American cotton for 55 to 60 per cent of their requirements. The great consuming countries of Europe produce no cotton themselves. Thus, cotton is not met with protective tariffs, quotas, licenses and embargoes. It has a free world market. It is not in the list of commodities that can be soon adversely affected by the world's present tendency toward national self - sufficiency. The world can get along without American wheat; it must have American cotton. It has suffered from the competition of the new textile materials, but by and large there is nothing to take the place of cotton for its traditional uses, and there are imminent new uses for it.

Other cereal crops than corn and wheat give indications of being about the same in quantity as last year. None of them commands a strategic position that might enable it to be a prosperity starter in any degree, however, small.

Dairy products have held up in price during the depression better than other farm products but that is not saying much, and a decrease of 47 per cent since March, 1928, has been accompanied by a discouraging decrease in consumption. The country is absorbing about three billion pounds less of milk, cheese and canned milk a year than it was, and production is being curtailed. Same old story of recent years—reduced production, low prices. But the farmers must do something. The pressure of action must show somewhere. It shows this year in the increased acreage of spring wheat and of corn. The clamps are being applied to butter. Stocks in cold storage are off a third from a year ago. Total primary stocks of all manufactured dairy products are also down a third. Yet butterfat is bringing the farmer only two-thirds as much as a year ago.

The tobacco acreage was slashed thirty per cent this year and the yield will be down 40 per cent. The potato crop is figured at about the same as last year.

Farmers May Get a "Break"

With a total crop acreage about the same as last year the farmer is in a conservative position, when it is considered that he has no control over the potent factors in his business of weather and biological conditions. Adverse natural conditions may yet work havoc with forecasts. Should the psychic weather improve while the physical weather deteriorates the farmer would have an unwonted ecstasy of rising prices. The net results to him in dollars might not score much of an advance, but he will have engendered the stimulus that may give business a great kick. At present prices the farm income for this year is calculated at less than 7 billion dollars—against 15 billions in the great years of war prices and nine to twelve

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¶ *What Has Congress Done to the Dollar?*

Has Tampering With Currency Base Depreciated Money Value?

By John C. Cresswill

WHERE does the dollar stand—now that Congress has gone home, leaving behind it acts that are helpful and harmful? What is the status of our currency? Obviously there is vastly more of it in circulation and, to judge from the Federal Reserve ratio which a year ago stood at 84 and today is 56, it is less soundly backed.

The standing of any currency depends not only upon legislation directly affecting it but also upon the fiscal position and policy of the government.

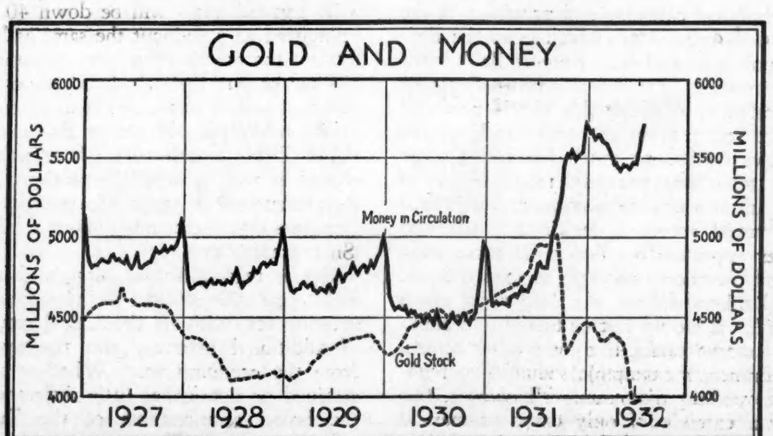
Two outstanding acts of the recent session of Congress affect money and banking credit directly. These are the Glass-Steagall law and the Glass-Borah "rider" on the Home Loan Bank Act.

The Glass-Steagall act was sincerely intended to be constructive, and was the product of genuine co-operation between the President and Congress. It has the indorsement of the Federal Reserve authorities. Its purpose is: (1) To relieve the strain on the banks by liberalizing the Federal Reserve discount requirements in certain exigent circumstances and (2) to permit the Reserve banks to substitute government securities for discounted paper in the collateral behind note issues, over and above the statutory 40 per cent gold reserve.

Defending the Dollar

The first provision is known to have been helpful to a number of banks which had excellent collateral although not complying with former requirements. Its operations are not considered to have had any harmful results so far.

The second provision had two objects in view. One was to enable the Reserve banks to meet the foreign run on the dollar, which was resulting in heavy withdrawals of gold. Not having longer to hold gold (behind note issues) in excess of the statutory 40 per cent, for lack of sufficient discounted paper, the supply of "free gold" was increased by about a billion dollars. This enabled the Federal Reserve Bank to meet the foreign demand for gold without the slightest hesitation and even to invite and urge foreigners to help themselves. The international run on the dollar was thus dramatically stopped in its tracks.



The other object of the collateral change was to put the Federal Reserve banks into a position to engage in open market operations on a vast scale, with a view to encouraging member banks to loosen the credit stringency. The theory was that if the Reserve banks should make heavy purchases of government securities the purchase money would flow into the deposits of the member banks and contribute painlessly to their liquidity. It was an attempt at a sort of credit inflation, the hope being that plentiful stitute government securities for discounted paper in the

The positive results have been disappointing. The member banks continued to curtail loans. On the other hand, it may be argued that the lending policy of the banks would have been much more stringent if they had not had the benefit of the open market operations. But in any event it does not appear that the operations of the Glass-Steagall Act have in any degree impaired the standing of the Federal Reserve system, its currency or the dollar itself.

Vicious But Limited Inflation

The Glass-Borah amendment, on the other hand, was essentially destructive legislation, tending to cheapen the dollar and destroy the control of the Federal Reserve over the currency. It was originally an independent bill offered by Senator Glass to head off the absurd Goldsborough Bill, overwhelmingly passed by the House of Representatives. This Goldsborough Bill was analogous to King Canute's famous order to the tide to pause. It instructed the Federal Reserve system to restore and maintain the 1921-29 price level "by the control of the volume of credit and currency."

Tacked onto the Home Loan Bank bill by Senator Borah, it rode through to enactment on that popular measure, which

Tampering with the Dollar—the Record

DEPRESSING FACTORS		UPLIFTING FACTORS	
National Debt Increased	$3,000,000,000	Federal Appropriations Reduced by	$857,000,000
Contingent and Potential Debt Increase	3,500,000,000	Additional Economies	150,000,000
Authorized Additional National Bank Note Circulation	1,000,000,000	Revenues Prospectively Increased	1,100,000,000
Steady Decline in Revenue Collections.		Budget Nearly Balanced.	
Erratic Recklessness of Economics.		Inflating Legislation Defeated.	
Hoarding	1,000,000,000	Reserve Gold Mobilized	1,000,000,000 strong
		Dollar "bears" repulsed.	

was a pet idea of the President's, and so escaped a veto, Briefly, this rider authorizes national banks, without the aid or consent of the Federal Reserve Board, to issue as much as 995 million dollars of their notes on the collateral of government bonds. If the privilege were fully availed of it would for three years add to the currency in circulation an amount about equivalent to the ordinary earning assets of the Federal Reserve banks, and would relieve the member banks, so far as they are national, from dependence upon the Federal Reserve for currency. The result would be the temporary destruction of the elasticity of the currency system, which was one of the prime objectives of the creation of the Reserve.

Ready At the Wrong Time

At the moment there is no apprehension, because the banks are not in a lending mood, even if they have the capacity. Yet this is precisely the time when such an inflation of the currency might be a relief, if not a prosperity, implement. Momentarily, at least, it might be very exhilarating to business to have a billion dollars thrust upon it. The danger is that the banks will not uncork the champagne now, but only when the business revival party begins to get a bit gay. There is little question that the dollar can carry this well collateraled paper money without much, if any blemish, to its luster; but it may some day make the dollar lopsided in purchasing power and potently eccentric.

From the standpoint of social stability this Glass-Borah rider may have been an inevitable expedient. It may have been the cheapest and easiest way to meet the demagogic howl that all relief and reconstruction legislation had been well insulated from the common garden variety of American citizen. Small banks can get this money and feed it out to small borrowers. Perhaps it is all in the necessary finesse of democratic government in stressful times.

Direct Federal Reserve Loans

In much the same political category is a provision in the emergency relief and construction act which gives the Federal Reserve Board power to authorize Reserve Bank loans direct to original borrowers. Financiers and students of banking will be interested in watching this hybrid perform. Conservative observers feel that in the cool hands of the Board and the Reserve banks not much harm can come from it and, perhaps, some dramatic good may follow. It might break a credit jam at a critical moment and a pivotal point. If a bank should refuse a legitimate loan and the would-be borrower appealed to a Federal Reserve bank and got his loan direct obstructed passages in loan thought might be cleared. Bankers follow the leader as much as other people. Besides, it would just be terrible, to banking mentality, if the Reserve banks, like some other central banks (the Bank of France, for example), should go regularly into discounts as well as rediscounts. However, this exceptional authority is extended for only two years, and its effects are expected to be psychological rather than actual. It will not add to the strain on the gold dollar.

We come now to the secondary strains brought about by fiscal legislation. This sort of legislation includes a flock of relief and reconstruction measures and all acts affecting the budget. First and last, the Reconstruction Finance Corporation represents a potential load of $3,800,000,000 on the public credit, and of course the gold standard. The original act gave the Reconstruction Finance Corporation $500,000,000 capital out of the treasury and authority to issue $1,500,000,000 of obligations. Then the relief bill—the emergency relief and construction act—came along in the last days of the session and raised the bond limit by $1,800,000,000. Of this amount $300,000,000 is ear-marked for unemployment relief loans to state governments. The rest is for supposedly self-liquidating projects of the sort that would be promptly financed through private channels in normal times. The whole colossal road may be self-carrying. If so, there will be no direct strain on the public credit. But the issuance of such a huge amount of securities on the credit of the government may have a disturbing effect on public confidence. If times improve this will not be marked, but if they get worse some such disturbance is inevitable. The same bill carried a project for $322,000,000 of public improvements, which will have to be financed by the treasury in some way; and such financing is a direct burden on the treasury.

Budgetary Acrobatics

As to the budget, taxation and economy measures, one can take almost any view that this bias suggests. The facts are these: Congress actually appropriated for the regular government supply requirements for 1932-33, $3,145,351,000, as against $3,732,666,000 last year. On the other hand, it added to the 1931-32 fiscal year appropriations the $500,000,000 capital of the Reconstruction Finance Corporation, $200,000,000 for loans on adjusted service certificates, $125,000,000 for the Farm Land Banks, the same for the Home Loan Banks and $149,000,000 to cover deficiencies. The grand total thus rises to $5,618,000,000, which may be figured as a reduction of $857,000,000 from the grand total of the preceding session of Congress. If the economy bill works out the calculated saving of $150,000,000 the just past session has a saving to its credit of something over a billion dollars. However this takes no account of the Allied Debts moratorium. If this financial sacrifice be included as well as all of the authorized indebtedness of the Reconstruction Finance Corporation, the last session of Congress cost the country about 4 billion dollars more than the preceding one.

But as regards actual outgo and income for the current fiscal year the budget is superficially balanced by the revenue act, with its theoretical return of $1,118,000,000 of additional revenue, plus the savings that may result from the economy act. Whether the balance is actually attained or not makes little difference. Congress has met the broad requirements of the Treasury as to budget

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The Panic of 33

A Page from Tacitus

By Harley W. Mitchell

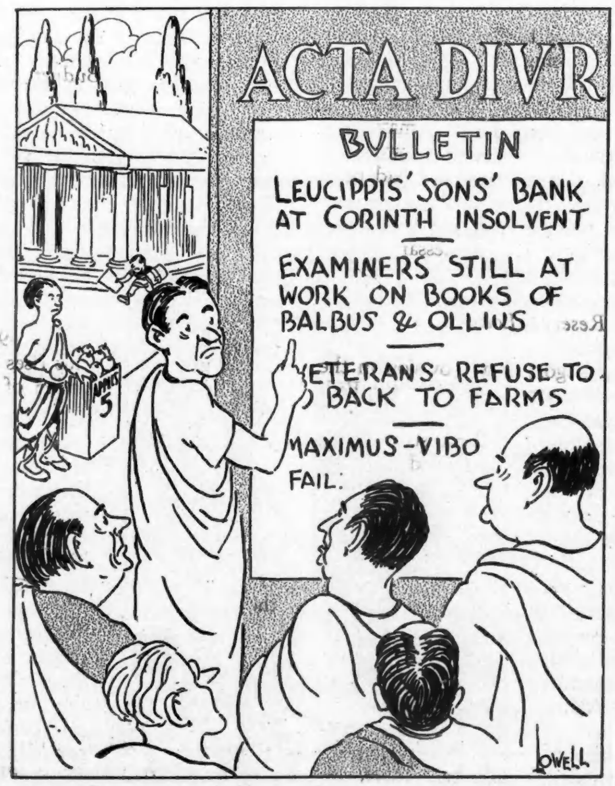
A MURMURING crowd was gathered about the official gazette, the *Acta Diurna,* which was posted each day in the Forum at Rome. This day the news was ominous, as it had been for many weeks. The bulletin stated tersely that the Corinthian bank of Leucippus' Sons was insolvent. Ordinarily such an announcement would have caused a certain amount of adverse comment—a few disparaging remarks on Greek business acumen, and a slight drop in certain Greek commercial paper. But these financiers of the Roman Wall Street, the Via Sacra, were worried and alarmed this day in the year 33 A.D.

Every man in the group about the gazette knew that the bank of Balbus & Ollius had closed its doors two days before. They knew also that proceedings in bankruptcy would be filed that day before the prætor. It was particularly distressing, this failure, because the firm was a sound one.

The political situation had contributed very largely to this state of affairs. Italian agriculture had been declining for a number of years, and for many sessions the Roman Senate had been occupied with the consideration of many suggested remedies for the farm interests. Numerous attempts had been made to drive city inhabitants back to the dying farms whence they had come, attracted by the life of the city and the prospect of high wages.

But the citizenry persisted in their refusal to return to the farms. Farming was declining, also for other reasons. Water transportation was much cheaper than land carriage, and the farmer at a distance from Rome could not lay his crop down in the Imperial City at as low a price as cargoes of grain raised in the rich African provinces by cheap labor.

Then, too, the situation was complicated by the idle veterans of the wars in Gaul. Both Julius and Augustus Caesar had followed the policy of paying the veterans a bonus, and Tiberius did not depart from the custom, which was finally to end in the virtual control of the imperial rule by the soldiery. The veterans refused to go back to the farms, and expected larger and larger grants.



Many remedies were suggested, but no progress was made in the Senate, where the order of the day seemed to be debate rather than action. One historian of the day writes: "Tiberius wrote to the senate, and in terms of keen reproach, censured their inactivity, which permitted the mutinous spirit of the populace to rage without control." Tiberius could not understand the rising discontent of the people for "he stated the quantity of grain imported annually by his orders, and the provinces from which he drew his supplies, far exceeded the importations formerly made."

Outside of this communication Tiberius took no part in the debates—"but his silence gained him no popularity. He flattered himself that it would pass for the moderation of a republican ruler; but it was deemed the sullen pride of a tyrant."

Many remedies were suggested, but finally the senate, with the tacit consent of the emperor, decreed that two-thirds of the fortune of each capitalist was to be invested in lands within Italy. This was simply the revival and strengthening of an old decree of Julius Caesar, one that had never been enforced. It was honestly thought that this means of injecting capital into agriculture would have a beneficial effect. A date was set for conformance with the decree, and heavy penalties fixed for non-compliance.

Some of the money-lenders, and a majority of the rich senators made the required investments in Italian lands promptly; but others delayed for one reason or another. Many of them were compelled to sacrifice some of their other investments; still others had to call in many of their loans and deposits. The failure of Balbus & Ollius was due to such a call by Publius Spinther, who had approximately $1,200,000 on deposit with them.

This was a large sum, and one calculated to cause some little trouble in raising; but even then

The historical matter is taken, almost verbatim, from the Annals of Tacitus, Lives of the Twelve Caesars by Suetonius, and from the history of Dion Cassius. Other data comes from the Corpus Inscriptionum Latinarum, Siever's Tacitus und Tiberius, Davis' Influence of Wealth in Imperial Rome, and Duruy's de Tiberio Imperator.

the situation might not have been serious if the banks had not been struck another severe blow.

Other banks were in no shape to take over any of the commercial paper of Balbus & Ollius. The firm of Quintus Maximus & Lucius Vibo had become heavily involved by loans to the great purple dye exporters, Malchus, located at Tyre, Ephesus, and Antioch. This firm had been in difficulties for some time. A strike at Tyre had stopped the production of dye; and a final stroke was the embezzlement of their funds by one of the managers. This forced Malchus to the wall, causing their ultimate bankruptcy.

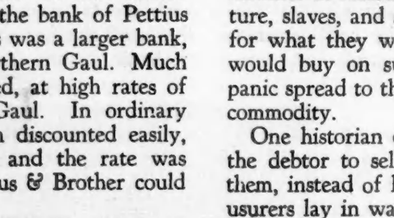
Maximus & Vibo might have survived this disaster to one of their largest accounts, had not another customer suspended. This was Seuthes & Sons, importers of Alexandria, Egypt. They, too, had been undergoing a series of misfortunes. Many of their ventures had proved unprofitable. The recent drop in commodity prices had made their ivory expedition come out in the "red." Further declines in the price of ostrich feathers rendered their stocks of that once saleable commodity a very slow item. To complete the debacle, a part of their fleet of spice ships foundered, and brought this great firm of dealers in luxury items to bankruptcy.

When news of this failure reached Rome, the gossip of the Via Sacra hinted that the firm of Maximus & Vibo could not withstand this second failure. A run started on their bank. Rumor also connected the bank of Pettius & Brother with this latest failure. This was a larger bank, which had many correspondents in northern Gaul. Much of the bank's resources had been loaned, at high rates of interest, to nobles of the Belgae in Gaul. In ordinary times these obligations could have been discounted easily, for the paper was considered reliable and the rate was decidedly attractive. The firm of Pettius & Brother could thus have weathered the storm.

But again the political situation stepped in. Affairs in Gaul were in somewhat of a turmoil. Observers considered that the people were on the brink of revolution, and government was in a rather tense position. Taxes were extremely high, as there were many past wars to pay for, and the Romanizing of the remote provinces was very costly to the inhabitants who had to pay for public buildings and new roads.

A moratorium had been declared, and for a period it was impossible to recover debts by any of the ordinary processes of law. For that reason the other Roman banks were reluctant to discount the Belgian paper held by Pettius, despite the high rate of interest and the hitherto good record for payment which had made these foreign obligations attractive. Besides, as the banks pointed out, none of their customers could purchase the paper, as the senatorial decrees limited each man's holdings in non-Italian securities. Under the circumstances the banks had to refuse help to Pettius & Brother.

The Pettius bank and the firm of Maximus & Vibo closed the same day.



Then it was openly rumored than many other banks were affected. In a comparatively short time one of the large banks of Carthage suspended payment. This was followed by the failure of two banks at Lyons, and another in Byzantium. The condition was world-wide!

Public hysteria grew. Bankers in the Via Sacra were forced to post notices to their depositors, exercising their right to demand reasonable and proper notice of withdrawals. This did not serve to allay the rising panic. Runs were started on nearly every bank, and one after another closed. Interest rates rose, and for a time private lenders reaped large returns, ignoring the legal rate of one per cent a month.

As Tacitus observed: "The want of current money brought on a new scene of distress. Creditors pressed to have their accounts balanced, and judgments were entered against such as stood indebted. Their effects were sold, and all the specie was either carried to the public treasury, or swallowed in the coffers of the rich lenders."

Gracchus, the praetor, whose court handled the scores of bankruptcy cases, was forced to hold public sales from morning to night. No loans were renewed, and as fast as notes fell due the creditors insisted on payment in cash. Men who were thought to be rich found themselves penniless, and many were compelled to sacrifice all their property. Town houses and country villas went under the hammer at ridiculous prices. Stocks of merchandise, furniture, slaves, and stores of food and clothing were sacrificed for what they would bring at a forced sale. Few people would buy on such a rapidly declining market, and the panic spread to the wholesalers and retailers in almost every commodity.

One historian of the day says: "The project of obliging the debtor to sell his lands, and the creditor to purchase them, instead of healing this mischief, made it worse. The usurers lay in wait to buy at a reduced price, and for that purpose hoarded up their money. The value of lands sank in proportion to the number of estates on sale, and the debtor was left without resources."

Even the news of a splendid crop in northern Africa did not stem the panic. The arrival of the great fleet from Egypt, loaded with grain, did nothing to stop the list of failures. Business sought security and confidence, which were lacking everywhere.

The Senate met and considered the situation with a maximum of oratory and a minimum of action. As most of the senators were rich men, and consequently affected by the decree regarding investments in Italian lands, they were loath to take action. Others were indebted to money lenders and could not act without a suspicion of bias. Tiberius was appealed to, and from his summer home at Capri, he laid out a reconstruction program. His communication was read to the august and deliberative Senate, and then relayed to the uneasy crowds in the Forum.

Tiberius, Roman Emperor, suspended the foreign moratorium. That

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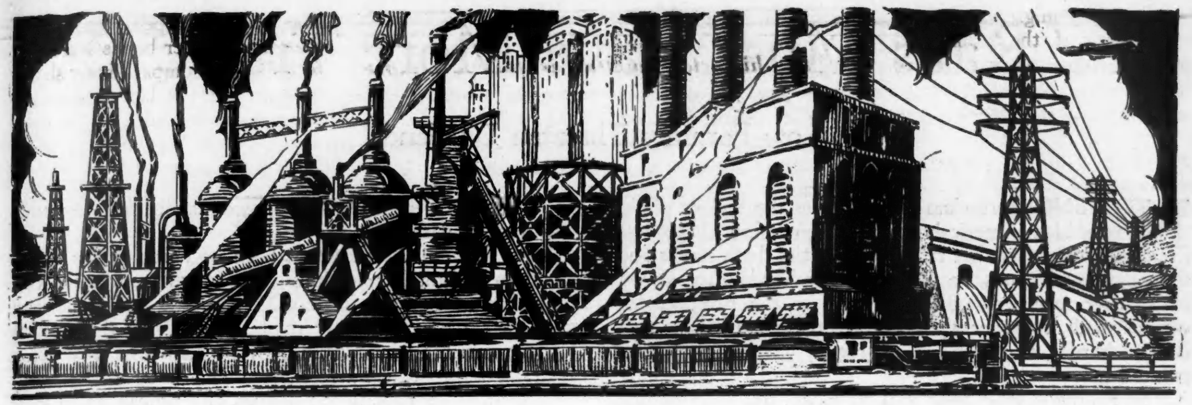


Mid-Year Appraisal of Business and Investment Prospects

Part I—Railroads, Public Utilities, Equipments

THE Mid-Year appraisal of investment prospects for the balance of 1932 finds the majority of common stocks at greatly deflated prices and the majority of dividends subject to great uncertainty. These are conditions which call for the utmost prudence and discrimination in the making of equity investments, but which at the same time promise an unusually rich long-term reward for wise and timely selection.

Despite the recent rally as compared with 1929 prices, the average common stock has been deflated fully 85 per cent. This does not necessarily indicate by any means that all stocks are cheap, but, regardless of current conditions and the apparent improbability of any early business revival, it does imply that long-term investment risks have been greatly lowered and that possible losses in points per share are now relatively small.

Moreover deflation in business is fully as drastic as in security prices. While substantial recovery probably will be slow, there appears little reason to expect that recession can go much under the present abnormally low level. Replacement demand is accumulating and needs only the spark of public confidence to be touched off. If sustained revival does not begin this fall, there is at least the probability of an encouraging industrial rally, the extent and character of which may well throw some light on the longer future.

In at least a substantial minority of stocks, deflation is accounted for more largely by a generally low market appraisal of values than by such specific changes as have occurred in company positions. It is by no means impossible to find companies which are earning at least moderate profits even under present abnormal conditions, which are likely to maintain dividends offering a very generous return on current market values and which offer substantial promise of future expansion under conditions of normal business revival.

It is for the purpose of offering guidance along these lines that this feature is presented. Each discussion on the following pages summarizes the probabilities of future dividend action, based on current earnings, seasoned earning power, financial resources, previously indicated dividend policy and other factors. In addition, each dividend forecast is accompanied by an investment rating which offers simple guidance as to the position and prospect of the industry and as to the company's position in that industry.

* * *

Simplicity and inclusion of essential information are the features of this rating system. It is adapted to the needs of the non-technical reader, while at the same time retaining the advantages of completeness, accuracy and timeliness. The ratings have primary regard for investment values over the long-term trend, rather than for current market position.

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY	COMPANY
A—In a strong and expanding position.	1—Expanding operations; dominant in field; strong financially.
B—In a fairly strong and stable position.	2—Good potential earnings; important company; good financial position.
C—Temporarily depressed but prospects moderately favorable.	3—Earnings still relatively low; fair financially; business volume moderate.
D—Depressed; declining profits; no signs of nearby improvement.	4—Doubtful outlook; weak financial position; unprofitable operations.

The second section of this feature will appear in the succeeding issue. It will cover the position and prospect for leading companies in such major industries as:

Steel, Metals, Petroleum, Merchandising, Automobiles, Accessories, Foods, Chemicals.

Rails Must Have More Traffic

Low Earnings Threaten Dividends

NOTHING more clearly emphasizes the serious plight in which American railroads now find themselves than the fact that railroad securities, both stocks and the majority of bonds, have this year declined to the lowest prices ever recorded. Black as may be the prospect for various roads, however, there is some reason to believe that it can hardly be as black as recent market pessimism painted it.

The railroads long have had to meet the competition of other forms of transportation, such as inland waterways, pipe lines and motor trucks and buses. It is only since railroad profits have vanished in this depression, however, that the present hue and cry over this competition has reached its existing intensity. No doubt such competition, particularly that from the motor truck and bus, has become more important in the last year. There is no sound reason why it should not be subjected to precisely as much Federal regulation as are the railroads.

Yet the primary fact remains that the motor truck carries only a small fraction of the country's freight and that highway limitations are such that its percentage of the freight movement can never be very great. In short, if this problem were all that the railroads have to worry about, the majority would still be making money and paying satisfactory dividends to their stockholders.

Important as the newer forms of transportation may be and necessary as fairer governmental regulation may be, these questions only cloud the horizon of the investor in rail securities. He might far better focus his attention on the supreme problem, which is simply the tremendous shrinkage in the volume of freight traffic caused by the general stagnation of business and industry. This is to an overwhelming extent the cause of the destruction of railroad earning power. Conversely, any substantial revival of business will certainly result in a proportionate recovery of rail earnings. Virtually nothing except the lack of adequate traffic will prevent the carriers from getting back to a general level of earning power comparing favorably with that of past years.

Thus far in 1932 there has been no check to the downtrend in freight car loadings, the freight movement currently running approximately 25 per cent under the level of a year ago. For many roads, particularly the western harvest carriers, the second half of the year promises a material improvement in traffic. This is merely seasonal expectation, however, and probably will leave the comparison with previous years little improved.

Most investors are by now painfully aware that railroad dividends, by and large, have gone by the board. Only a small minority of the strongest systems are continuing any distributions on common and preferred stocks, and by no means all current rates can be considered secure. From the point of view of the roads generally the problem of management is no longer to earn dividends, but to meet fixed charges. In the effort, costs have been drastically reduced. It appears probable that this movement has gone about as far as it can go, if properties and equipment are to be maintained. The moderately higher freight rates obtained last year have failed to bring in the revenues expected, and it is now generally recognized that in a period of deflated values and costs further rate increases would be difficult to justify.

The one practical avenue of further cost deflation open to the roads is additional wage deflation, and this thus far is blocked by an agreement which still has some months to run, as well as by the very powerful opposition of the railroad unions. As compared with boom levels, railroad wage rates have been reduced 10%. The necessities of the situation would appear to call for additional downward adjustment.

Meanwhile, a not inconsiderable number of systems have been forced to borrow funds from the Reconstruction Finance Corporation in order to meet fixed charges and maturities. No investor in rail securities can afford to

Position of Railroad Common Stocks

Railroad	Earned Per Share 1931	Earned Per Share 1932*	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Atchison, Topeka & Santa Fe	6.96	1.00	94	17⅞	32	..	..	D-1	Should be among first roads to resume dividends. No immediate financial worries.
Atlantic Coast Line	2.44	Nil	41½	9¾	16	..	..	D-3	Traffic will have to improve materially to warrant common disbursements.
Baltimore & Ohio	0.56	Nil	21⅝	3¾	8	..	..	D-3	Large near maturities obscure outlook.
Bangor & Aroostook	2.67	2.00	24½	9½	25	2	8	D-2	Present dividend should be maintained.
Boston & Maine	Nil	Nil	14½	5	7	..	..	D-4	Omits prior preference dividend.
Canadian Pacific	0.63	0.10	20⅝	7¼	13	1.25	9.6	D-1	Dividend reduction or omission likely.
Central R. R. of N. J.	0.11	Nil	78	25	45	..	..	D-2	Present earnings do not warrant common dividends.
Chesapeake Corp.	3.60	..	20⅝	4⅛	8	2	25	D-1	Dividends depend entirely on receipts from C. & O.

ignore the possible implication of the relief program now being followed. It is increasing debts and fixed charges for all roads which resort to it. It does not answer the question of whether the capitalizations of many roads will have to be adjusted in reorganization. It is a question which probably will not be answered until after the national election in November. Unless there is a reasonably early and substantial business revival, the existing capital structures of various roads cannot be indefinitely supported by credit.

The railroad picture is, of course, not without substantial long-term hope. It is not only certain that there will ultimately be a recovery in the volume of traffic, but that it will find the roads as a whole better equipped than ever before to turn it to advantage. Like other major industries, the roads have learned many lessons under the spur of depression and necessity. While wages may still be regarded as unadjusted to the prevailing price level, all of the costs over which management has control have been drastically reduced. In the main this has been accomplished without serious skimping on maintenance and without impairing operating efficiency. On the contrary, the leading systems are in excellent physical condition and there is reason to believe many roads are on the most efficient operating basis ever achieved. Thanks to wholesale cost reduction, it may prove quite possible for the better-managed roads to get back to the satisfactory level of earnings of, say, the period 1924-1926 with a somewhat less than proportionate recovery in traffic.

Despite the popular interest shown in the plan of eastern consolidation recently announced by the Interstate Commerce Commission, this development appears to be of no great investment significance. It may be taken merely as another step in a very arduous and necessarily protracted movement. The proposal has been under discussion for a period of years and its consummation at best will require additional years. The roads in the east are not in agreement as to the plan. It probably has played a psychological part in the recent rally of rail securities, but in coming months maintenance of this improvement will necessarily depend entirely upon a revival in current earning power of the carriers.

The chief hope of the rails is that their present distress may create a more enlightened public opinion and thus result in a fairer and more constructive policy of governmental regulation.

Position of Railroad Common Stocks (*continued*)

Railroad	Earned Per Share 1931	Earned Per Share 1932*	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
Chesapeake & Ohio	3.47	2.20	31½	9⅞	14	2.50	17.9	D-1	Moderate reduction likely.
Chicago & E. Illinois	Nil	Nil	1¾	⅝	1	..	..	D-4	Common dividend very remote.
Chic., Milwaukee, St. Paul & Pacific	Nil	Nil	3¼	¾	1½	..	..	D-3	Road being run at large loss.
Chicago & Northwestern	Nil	Nil	12⅝	2	4	..	..	D-4	Outlook for resumption of com. divs. not promising.
Chicago, Rock Island & Pacific	Nil	Nil	16⅝	1½	4	..	..	D-3	Loss mounts.
Delaware & Hudson	6.27	5.00	89½	34	50	9	18	D-1	Large outside investments brighten outlook.
Delaware, Lack. & Western	0.65	Nil	28¾	8½	14	..	..	D-2	Traffic must improve before dividends will be resumed.
Erie	Nil	Nil	10	2	4	..	..	D-3	Probably a long time before com. receives anything.
Great Northern	2.14	Nil	25	5½	10	..	..	D-2	Recently passed dividend. Resumption depends upon traffic upturn.
Illinois Central	Nil	Nil	18¼	4⅝	9	..	..	D-3	In the midst of severe financial difficulties.
Kansas City Southern	Nil	Nil	13¼	2¼	16	..	..	D-3	Resumption of common dividends somewhat remote.
Lehigh Valley	Nil	Nil	18	5	9	..	..	D-3	Hit by decline in coal traffic.
Louisville & Nashville	0.89	Nil	32⅜	7½	14	..	..	D-2	Early resumption likely with business improvement.
Missouri-Kansas-Texas	Nil	Nil	7¾	1¼	4	..	..	D-2	Doing better than many roads.
Missouri Pacific	Nil	Nil	11	1½	3	..	..	D-3	Large accumulation of divs. on the preferred stock.
New York Central	0.49	Nil	36⅝	8¾	15	..	..	D-3	Needs material traffic improvement to avert financial trouble.
N. Y., Chic. & St. Louis	Nil	Nil	9½	1½	4	..	..	D-4	Borrowing heavily from R. F. Corp.
New York, New Haven & Hartford	3.05	Nil	31⅝	6	10	..	..	D-2	Traffic off badly this year.
Norfolk & Western	14.39	6.00	135	57	73	8	10.9	D-1	Further moderate reduction in common dividend possible, but omission not to be feared.
Northern Pacific	3.59	Nil	23¼	5½	12	..	..	D-2	Early com. payments likely with any general upturn.
Pennsylvania	1.48	0.25	23⅝	6½	10	..	..	D-1	Should be among the earliest roads to resume common dividends.
Pere Marquette	Nil	Nil	13	1¾	4	..	..	D-4	Operating loss continues to grow.
Pittsburgh & West Virginia	0.01	Nil	15	9	8	..	..	D-3	Coal strikes hurt revenues.
Reading	0.37	0.50	42	9½	22	1	4.6	D-1	Has done somewhat better recently, but dividend hardly safe.
St. Louis-San Francisco	Nil	Nil	6⅝	⅝	1	..	..	D-4	Common stock statistically worthless under present conditions.
St. Louis-Southwestern	Nil	Nil	11½	3	5	..	..	D-4	Dividend payments remote.
Southern Pacific	2.20	Nil	37⅝	6½	11	..	..	D-3	Immediate outlook uncertain.
Southern Railway	Nil	Nil	13	2½	5	..	..	D-4	Loss growing larger.
Texas & Pacific	2.21	Nil	33	15	10	..	..	D-3	Preferred dividend recently passed.
Union Pacific	9.93	4.00	94½	29½	45	6	13.3	D-1	Further reduction in common dividend not unlikely.
Western Maryland	Nil	Nil	7¾	1½	4	..	..	D-4	Outlook for common dividend very remote.
Western Pacific	Nil	Nil	4	⅛	2	..	..	D-4	Has lost little further ground this year.

* Estimated.

Utility Industry Among the Strongest in Earning Power

Market Makes Sharp Distinction Between Operating and Holding Companies

DESPITE the fact that the total production of electrical energy continues to run 13% or more below that of the past year, this is a better indication of the low level to which general business has fallen than of a lack of prosperity on the part of electrical public utilities. This is because the loss of output has taken place entirely in the industrial and commercial divisions. The use of electricity domestically continues to grow. And, because domestic users pay more per unit than others, the decline in gross revenues is very much smaller than one would believe from the decline in output. It is estimated that the sum derived from the sale of electricity in 1932 will not be more than 5% less than was derived in 1931.

Unfortunately, the relatively small decline in gross revenues is the most favorable side of the story. It is the one which a buyer of a strong public utility bond sees to the exclusion of all else and on which he has lost little, if any, money. But to the holders of many public utility common stocks it has been somewhat of a delusion. This is because holding company capital structures have introduced so much leverage into the situation that even a negligible decline in gross revenues, so far as the operating company is concerned, is positively disastrous for the ultimate holding company. The less grandiose structures have been affected in a degree which corresponds almost exactly with their financial distance from the actual operating company or companies.

This can readily be seen from the accompanying table. It will be noticed that the stockholders in few operating or near-operating companies have been obliged to accept a reduction in their incomes. Moreover, any reductions which have taken place have been very moderate and those which impend will likewise be moderate.

But, while dividends normally depend upon applicable earnings and these in the public utility industry in turn largely depend upon the capital structure of any particular company, there is an added complication in the present far from normal period. It is the difficulty of raising new money at a time when almost nothing appears safe.

In its extreme form, financing trouble leads to receivership and a number of public utility companies have gone already to that corporate valhalla. In its less extreme form, it leads to the reduction or passing of common dividends in order to conserve cash for maturities. Any forecasting of public utility dividends at this time must therefore take into consideration not only present earnings and those in immediate prospect, but the position of the company in regard to maturing obligations.

Furthermore, the importance of this factor in turn depends upon the company's credit standing. It matters little how large a company's early maturities are, so long as its credit is sufficiently good to refinance them. And here again we find investors making a sharp distinction between operating and holding companies. In general, the former can still borrow money, even in this money market as is shown by the recent successful flotation of Brooklyn Union Gas and Consolidated Gas of New York bonds. There is also the example of an important holding company pushed to the extremity of offering to its stockholders first mortgage bonds of its operating companies.

So much for the factors bearing upon public utility common dividends which are capable of appraisal. The political angle, while extremely important, is incalculable. No one knows how much the utilities have yet to bear in the way of increased taxation, forced rate reductions and gen-

Position of Public Utility Common Stocks

Company	Earned Per Share 1931	Earned Per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
★American Power & Light	2.50(3)	1.41(3)	16⅝	3	6	1	16.7	C-2	Typical holding company capitalization causes sharp drop in common earnings.
■ American Tel. & Tel.	9.05	6 mos. 4.02	137⅞	70¼	87	9	10.4	B-1	Reports large loss of phones. Some reduction of dividend not unlikely.
★American Waterworks	2.84(2)	2.60(2)	34½	11	15	2	13.3	C-2	Has inherent disadvantages of holding co. Div., however, being covered.
American & Foreign Power	.03(2)	Nil(2)	9¼	2	4	..	..	C-4	Confronted with foreign exchange transfer problem and large early maturities.
★American Gas & Electric	3.57	NF	39⅞	14½	21	1+4%	8.8	C-1	Moderate decline in recent earnings, but dividend not endangered.
★Associated Gas & Elec. "A"	...	0.41(2)	4⅝	5⅛	1	5%	5	C-4	Financing complications obscure outlook.

eral political interference. The recently imposed Federal Government's 3% sales' tax on electric power may possibly foreshadow worse to come. In itself it will probably do little harm, although naturally anything which increases the bill for electric current tends to curtail consumption. But suppose the states, while regulating rates, also impose sales' taxes as well as vastly increased property taxes; then what? Moreover, there is the possibility of direct Federal regulation of holding companies and those operating companies whose transmission lines cross state boundaries.

It must be frankly admitted that there exist indications of the public utility industry taking the place of the railroads as a political football. Nevertheless, we are inclined to believe that while any investor would be very foolish to neglect the part played by politics in relation to his holdings, any drastically adverse governmental development will not take place without ample warning. And apart from this he is upon more than ordinarily safe ground. Earnings statements in many cases are available monthly, while from a detailed balance sheet can be judged the "early maturity" danger. Armed with these, no revision of a common dividend should take him by surprise.

Position of Public Utility Common Stocks (*Continued*)

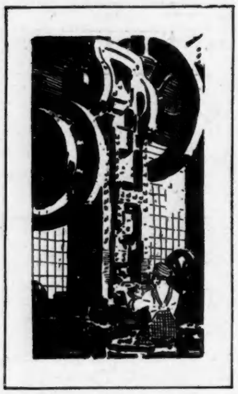
Company	Earned Per Share 1931	Earned Per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
★Brooklyn Union Gas	7.64	NF	89½	46	62	5	8.1	B-1	Dividend more than reasonably assured.
★Columbia Gas & Electric	1.59(2)	1.21(2)	16⅛	4¼	9	1 pref.	11.1	C-2	Cash disbursements would soon be resumed with any upturn in general business.
★Commonwealth Edison	10.40	9.40(2)	122	49½	62	5	8.1	B-2	Further reduction in the rate should not be necessary.
● Commonwealth & Southern	.50(1)	.28(1)	4⅞	1⅛	2	..	..	C-2	Sharp drop in earnings causes div. to be passed.
★Con. Gas Elec. Lt. & P. of Balt.	5.21	3 mos. 1.51	69½	37¼	51	3.60	7.1	B-1	Change either way in present dividend remote. Strong, well-managed company.
★Consolidated Gas of N. Y.	4.94	NF	68¾	31½	45	4	8.9	B-1	Any conceivable reduction seems discounted at present prices.
■ Detroit Edison	8.76(1)	7.02(1)	122	54	76	8	10.5	B-1	Officially stated that reduction is possible.
★Electric Bond & Share	NF(2)	3.05(2)	32⅜	5	9	6%	6	C-2	Large interest in Am. For. Power at present adverse influence.
● Electric Power & Light	2.89(3)	.73(3)	15⅜	2¾	5	..	..	C-3	Passes second preferred dividend.
● Federal Water Service "A"	3.22(2)	1.54(2)	10⅜	3	4	..	..	C-4	Earnings must improve materially before div. can be reinstated.
Interborough Rapid Transit	Nil	Nil(e)	14⅝	2¼	6	..	..	C-4	Still a political football.
● Internat'l Hydro Electric "A"	3.61(2)	3.67(2)	11⅝	2⅝	6	..	..	C-3	Has expanded perhaps somewhat too fast.
● International Tel. & Tel.	1.20	3 mos. .11	12¼	2⅝	6	..	..	C-3	Chaotic conditions abroad and large bank loans obscure outlook.
★Louisville Gas & Electric "A"	2.63	NF	23⅜	8½	15	1.75	11.7	B-2	Dividend reasonably assured.
★National Power & Light	1.73(3)	1.59(3)	16⅜	6⅝	10	1	10	C-1	Comparatively well situated financially. No immediate reduction impends.
● Niagara-Hudson Power	1.58(1)	1.50(1)	14¼	7⅝	11	..	..	C-1	Shares recently split 1 for 3. No rate designated on new stock.
★North American	3.89(1)	2.83(1)	40	13¾	20	10%	10	C-1	Earnings off recently. Maintenance or non-maintenance of div. solely a matter of policy.
★Pacific Gas & Electric	NF(3)	2.55(3)	37	16⅞	23	2	8.7	B-1	Barring drastic rate revision dividend should be safe. Strong company.
★Pacific Lighting	4.28(1)	3.97(1)	41¾	20¾	33	3	9.1	C-1	Even adverse settlement of present rate litigation not necessarily dangerous to com. div.
★Peoples Gas, Light & Coke	NF(3)	8.92(3)	121	39	58	5	8.6	B-2	No further reduction appears necessary for the rebuilding of depleted surplus.
★Public Service of N. J.	3.85	NF	60	28	38	3.20	8.4	B-1	The chance of further reduction in the dividend appears somewhat remote.
★Southern California Edison	NF(1)	2.37(1)	32¾	15¾	23	2	8.7	B-1	Dividend reasonably assured.
★Standard Gas & Electric	5.66(2)	3.04(2)	34¼	7⅝	13	2	15.4	C-3	Might possibly decide to conserve cash by reducing dividend.
★United Corp.	.75	6 mos. .23	10½	3½	6	.40	6.7	..	Company is paying out almost everything received, but does not need to build up large surplus.
United Gas Corp.	.07	Nil(e)	2⅝	⅝	1	..	..	C-4	Dividend payments remote.
★United Gas Improvement	1.54(2)	1.44(2)	21¾	9¼	15	1.20	8	C-1	Current dividend appears safe. Common stockholder has "fat" equity.
● United Light & Power "A"	1.63(3)	.97(3)	8¾	1¾	3	..	..	C-3	Dividends depend upon a general change for the better.
● United States Electric (w.w.)	.21	NF	1⅞	⅜	¾	..	..	C-3	Company is the pinnacle of a vast holding company system.
● Utilities Power & Light "A"	2.14	NF	10⅝	1½	4	..	..	C-3	Foreign properties have introduced complications.
● Western Union	4.19	6 mos. .01	50	12⅜	20	..	..	C-4	Resumption of dividends depends upon general business improvement.

(1) Twelve months ended June 30th. (2) Twelve months ended March 31st. (3) Twelve months ended May 31st. (e) Estimated. NF—No figures available. ★ Paying and earning dividends. ■ Paying but *not* earning dividends. ● Not paying but earning something.

Equipments Affected by Curtailed Purchasing

Full Effects of Drastic Economies Will Not be Felt Until General Business Improves

THE maker of producers goods must necessarily suffer severely when business at large is involved in a chronic state of overproduction. The railroads, whose financial troubles obscure the fact that they are geared to a very much larger volume of business than is at present being received, have neither the money nor the inclination to buy new equipment. The makers of heavy electrical machinery, gorged on the utility boom of 1928 and 1929, are now experiencing something akin to a famine. The manufacturers of agricultural implements, whose prosperity rises and falls with the purchasing power of the farmer, have done about all that is possible in the way of stimulating business by making their easy terms easier and now find themselves with the best part of their working capital tied up in notes receivable.



That the situation for equipment companies in general is indeed a critical one can be seen from the long list of deficits in the accompanying tables. It will also be noticed that there are few companies paying a dividend on their common stocks and among the disbursements which are being make a negligible number can be considered even reasonably secure.

Nevertheless, the situation is not entirely without its bright side. The policy of the past few years of making almost no new equipment purchases must necessarily have built up in all divisions a potential demand which needs but better times to become effective. It must also be recognized that there has been a tremendous increase in equipment manufacturing efficiency. Operations now are undoubtedly upon a plane which would have been considered impossible in 1929 and, while this greater efficiency is naturally not particularly effective when volume is dropping perpendicularly, it will become so at the first turn of the tide.

Moreover, it must not be thought that every single division and sub-division of the equipment industry is completely prostrate. Electrical refrigeration, for example, continues to make rapid progress. Air-conditioning which is growing out of refrigeration meets with increasing public favor and if the cost for a six-room house can be brought down to a level which corresponds with the price of a cheap car and if the apparatus can be made as "fool-proof" as the car, there is a possibility that this division in itself will become a major industry.

In addition to the certain hopeful aspects of the equipment business itself, one must not lose sight of the fact that a number of companies are in so favorable a financial position that even the long continuance of the present disastrous business conditions could hardly cast doubts on their survival. Yet pessimism has gone to such lengths that there are companies in this class whose common stocks are selling materially under the net quick assets behind them, allowing nothing

Position of Leading Equipment Stocks

Electrical

Company	Earned Per Share 1931	Earned Per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
■ Electric Storage Battery	3.05	NF	33¼	12⅝	23	3	13	C-2	Cannot continue forever to pay dividends partly out of surplus.
★General Electric	1.33	6 mos. .27	26⅛	8½	14	.40	2.9	C-1	Company should be able to maintain new drastically reduced rate.
Westinghouse Elec. & Mfg	Def	6 mos. Def	35⅝	15⅝	23	..	..	C-2	Business must improve materially to warrant dividends—strong financially.

Railroad

Company	Earned Per Share 1931	Earned Per Share 1932	Price Range 1932 High	Price Range 1932 Low	Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
★Amer. Brake Shoe & Foundry	1.14	NF	15⅛	6⅛	10	.60	6	D-2	Should be able to maintain present rate at least for the time being.
Amer. Car & Foundry	Nil b	Def b	8¾	3⅛	7	..	..	D-4	Negligible orders being received.
American Locomotive	Def	NF	9⅛	3⅝	8	..	..	D-2	Depleted railroad purchasing power obscures outlook.
American Steel Foundries	Def	3 mos. Def	8⅝	3	6	..	..	D-2	Losing money fast, but still strong financially.
Baldwin Locomotive	Def	Def(c)	8½	2	7	..	..	D-2	Business booked in the first 6 months of this year considerably under that of 1931.
★General American Tank Car	5.33	6 mos. 1.10(c)	35¾	9½	14	1	7.1	C-2	Is doing comparatively well—may be able to maintain present rate.

for plants, equipment, and a good-will which has taken years to build up. Recently there were even examples of stocks selling for less than the current *cash* assets behind them after paying all bills and allowing for senior securities.

Nevertheless, it must be frankly admitted that to paint too bright a picture of the outlook for the equipments is to distort the truth. They have been badly hit and, while some are outstanding examples of financial strength, others will have hard work to weather the storm. In the main their reattainment of a prosperous condition will depend upon improvement in general business. Until, then, representative business indicies show definite signs of a prolonged upturn, the equipment field is one in regard to which investors might well be cautious, for the latest rally in stocks has dispelled many price absurdities on the basis of financial strength. If, however, an equipment selection *must* be made, we cannot too strongly urge that the choice be confined either to the small number of companies making money even under the present difficult conditions, or to those whose survival appears most assured.

Position of Leading Equipment Stocks (*Continued*)

Railroad

Company	Earned Per Share		Price Range 1932		Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
	1931	1932	High	Low					
■ General Railway Signal	3.33	6 mos. .46	28⅝	6⅛	13	1	7.7	D-1	Even drastically reduced dividend not being earned.
New York Air Brake	Def	3 mos. Def	8	4¼	5	..	..	D-4	Resumption of dividends depends upon general railroad situation.
■ Pullman, Inc.	.61	3 mos. Def	25	10½	17	3	17.7	D-1	Near term improvement unlikely, but company is strong in liquid assets.
★Union Tank Car	1.49	NF	19¼	11¾	13	1.40	10.7	C-3	Maintenance of even reduced dividend considered somewhat doubtful.
■ Westinghouse Air Brake	1.01	3 mos. .12	17¼	9¼	12	1	8.3	D-1	Strong financial position helpful factor.

Business

Company	Earned Per Share		Price Range 1932		Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
	1931	1932	High	Low					
■ Burroughs Adding Machine	.80	6 mos. .30(e)	13	6¼	8	.80	8	C-2	Present dividend cannot be considered wholly safe.
★International Business Machines	11.08	6 mos. 5.04	117	52½	73	6+5%	13.2	B-1	Should be able to maintain present rate easily—Gov. suit, however, should be watched.
Nat'l Cash Register "A"	.69	3 mos. Def	14⅜	6½	10	..	..	C-3	Dividends accumulating on the "A" stock at rate of $3 annually.
Remington-Rand, Inc.	.11(c)	Def(c)	3⅜	1	3	..	..	C-4	Foreign exchange transfer problem major adverse factor.
■ Underwood-Elliot-Fisher	1.79	3 mos. .01	23½	7⅝	12	1	8.3	C-2	Negligible earnings make reduction of div. likely.

Agricultural

Company	Earned Per Share		Price Range 1932		Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
	1931	1932	High	Low					
J. I. Case Company	Def	NF	43⅜	16¾	31	..	..	D-2	Large working capital is for the most part inventories and notes receivable.
■ Caterpillar Tractor	.72	6 mos. Def	15	4⅜	8	.50	6.3	D-2	Favorable financial position, but general business must pick up before material betterment can be shown.
Deere & Co.	Nil a	NF	14⅞	3½	8	...	..	D-2	Recovery may be somewhat long drawn-out.
■ Inter'l Harvester	Nil	NF	29¾	10⅜	17	1.80	10.6	D-1	Recent price gains by certain farm products slightly brightens outlook.
Minneapolis Moline Power	Def	NF	2⅝	⅝	2	..	..	D-4	Suffering from world-wide agricultural dislocation.
Oliver Farm Equipment	Def	NF	2	½	1	..	..	D-4	Any dividends on the common stock appear exceedingly remote.

Machinery, Etc.

Company	Earned Per Share		Price Range 1932		Recent Price	Dividend	Yield %	Inv'ment Rating	COMMENT
	1931	1932	High	Low					
Allis-Chalmers Mfg.	.96	3 mos. Def	13⅝	4	7	..	..	D-2	Hard hit, but reasonably strong financially.
★Amer. Machine & Foundry	1.71	NF	22¼	7⅛	11	.80	7.3	C-3	New machinery sales this year relatively poor. Revised div. no more than fairly safe.
Chicago Pneumatic Tool	Def	3 mos. Def	6¾	1	2	..	..	D-4	Handicapped by decline in construction.
Fairbanks Morse & Co.	Def	NF	5¾	2¾	3	..	..	D-4	Resumption of dividends depends upon general improvement.
Foster-Wheeler Corp.	Def	NF	12	3	8	..	..	D-3	Internal economies helping to offset an extremely low volume of business.
■ Ingersoll-Rand	Def	NF	39½	14¾	24	3	12.6	D-1	More than ordinarily strong financially but continuance of div. depends upon general improvement.
National Supply	Def	3 mos. Def	9¼	3½	6	..	..	D-3	Curtailment of oil drilling adverse factor.
Worthington Pump & Machy	Def	NF	23⅜	5	13	..	..	D-3	A strong financial position brightens to some extent the poor outlook.

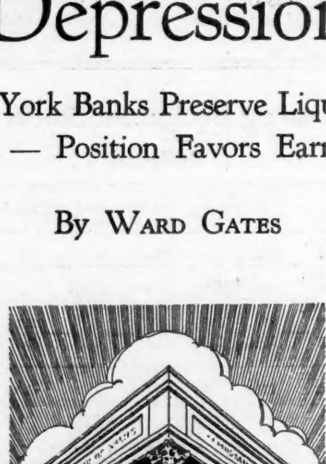
NF—Not available. (a) Year ended Oct. 31. (b) Year ended April 30. (c) Year ended March 31. (e) Estimated. ★ Paying and earning dividends. ■ Paying, but *not* earning dividends.

Strength Maintained in Depression

Leading New York Banks Preserve Liquidity and Capital Resources — Position Favors Earnings Recovery

By Ward Gates

LESS than three years ago stocks of leading New York City banks were generally considered as "rich men's" investments. Consider a hypothetical stock which may be taken as a representative composite of the stocks of fifteen leading member banks of the New York Clearing House Association. This stock sold in October, 1929, at $1,470 per share. That price was more than five times its book value—so avid were investors and speculators to buy it—and the dividend yield at $21.15 per share was but little more than 1.4 per cent.



Today this stock would sell for approximately $152 per share, a decline of 90 per cent. Its price is only 60 per cent of book value. Its dividend yield, as compared to the trifling figure of 1.4 per cent in 1929, is now 10.65 per cent.

Obviously, one would think, some startling changes must have occurred in the position of the New York banks. Either that, or investment fear now has gone to an extreme which is a striking counterpart to the unbounded optimism of the late lamented boom. The latter conclusion appears to be much nearer the mark than the former, for whereas our composite bank stock has declined 90 per cent since 1929, deposits during the same time have declined only 19 per cent, the book value of the stock has declined only 12 per cent and the aggregate item of surplus and undivided profits has declined only 18 per cent.

These figures suggest that pessimism has been rather generally overdone. It is possible, of course, for the complete pessimist to fear that our banking structure is going to collapse or that our present economic system will vanish. In that case the effort to conserve one's money in any form is useless. But if utter disaster is not to come and if we are ultimately to have an economic revival, then various New York bank stocks can be safely regarded as sound and not unattractively priced for long-term investment, regardless of the possibility that they may go lower in any extension of the depression and regardless of the probability that the general movement toward lower bank dividends has further to go.

Like most business enterprises, the New York banks in the aggregate are running at a loss. It could not be otherwise under existing conditions, but the loss is reassuringly small in comparison with both past profits and with capital and surplus funds. It is precisely for the purpose of meeting such adverse contingencies as have arisen in this depression that the huge cushion of capital funds was built up. Depression had made a dent in this safety fund, but would have to become inconceivably more acute and inconceivably more protracted to shatter it.

After charge-offs and reserves for contingencies during the first six months of this year fifteen leading member banks of the New York Clearing House showed an average ratio of net loss to capital funds of 2.67 per cent. This compares with a ratio of 3.09 per cent for the year 1931, and with a profit ratio to capital funds of 3.2 per cent in 1930, 10.2 per cent in 1929 and 10.9 per cent in 1928.

During the half-year capital funds of this group of fifteen institutions decreased 5.88 per cent, accounted for by the net loss of 2.67 per cent, and dividend disbursements of 3.21 per cent. As of June 30 the group showed total contingency funds and reserves of approximately $140,000,000, as compared with $150,000,000 on December 31, 1931.

The outstanding characteristic of the New York banks is abnormal liquidity. This is due to various obvious factors, including a scarcity of safe business credit demand and the disturbed public psychology. It need hardly be said that when liquidity is the primary concern of the average depositor, it must also be the primary concern of the bank. Moreover, despite the Federal Reserve System, the large New York banks have always accepted a kind of reserve responsibility designed to safeguard against contingencies in other parts of the country.

In various New York City banks cash items and United States Government securities range from 50 to 60 per cent of deposits. If other liquid assets be included, such as call loans, secured demand loans, paper eligible for rediscount and high grade state and municipal bonds, we get a condition of liquidity approaching, in some instances, 70 per cent of deposits.

Such liquidity constitutes a remarkably strong barrier against the possibility of devastating losses. It is a factor of safety to be considered by potential investors in bank shares. Conversely, however, it is obvious that no bank can be 70 per cent liquid and make fat profits. Under normal conditions some 60 per cent of a bank's earnings are derived from the interest on loans, while interest on

investments makes up approximately 25 per cent of earnings and the balance is obtained from miscellaneous services. There has been a large shrinkage in loan accounts and investments have been increasingly concentrated in short term Government securities of low yield. Earnings from loans are affected, moreover, by low and falling money rates.

It is possible even under present conditions for most New York City banks to earn operating profits in excess of their relatively generous dividends. Charge-offs and sums set aside for reserve, however, constitute the fly in the ointment. It is for this reason that changes in total capital funds should be the item most carefully watched by investors.

Satisfactory Profit Possible

In short, given a cessation of losses on loans and investments, these banks could make an entirely satisfactory profit and dividend showing even at the present level of business. Thus, a flattening out of depression and a stabilization of business even on a low level would be relatively advantageous to the banks. In this connection moderate recovery in the bond market and in certain commodity prices are tentatively encouraging developments. A major recovery in bank profits, however, will necessarily be proportionate to the next revival in general business. Given such a revival, bank stocks should be among the first securities to advance. Moreover, the extremity of their deflation carries with it substantial promise that such advance may be unusually broad.

Meanwhile, barring an unexpectedly early business revival, it is not unlikely that the aggregate of dividends paid will be further curtailed, since banking policy centers on protection of capital funds. This prospect, however, is discounted substantially in prevailing prices and yields. It is perhaps probable also that any general raising of bank dividends would lag somewhat behind recovery in earnings, due to the desire to rebuild surplus funds. Conservative policy in this respect, however, would not prevent wide recovery in bank stock prices, once profits turned up.

On the whole, it appears a reasonable conclusion that of the aggregate banking losses to be taken in this depression the major part has already been taken. When banks are 60 to 70 per cent liquid no other inference could be drawn. In investments, the vast bulk consists of short-term United States Government securities, in which possible loss is very slight. Investment in other securities has been reduced to a point at which loss is possible only on a relatively small proportion of banking assets. The weakest part of the commercial and collateral loan structure has long since been weeded out and what remains appears to offer comparatively minor threat of loss.

Among New York City banks the best showing throughout the depression and particularly during the past year has been by those old - established institutions which adhered most closely to conservative banking principles and which were least swerved from this course by the security boom and its false philosophy.

Taking as a test, not reported earnings, but the maintenance of capital funds and, therefore, maintenance of book values of capital stock, seven out of twenty leading New York banks and trust companies have made an excellent showing in the past year. These are the Bankers Trust Co., Central Hanover Bank & Trust Co., Chemical Bank & Trust, First National Bank, Irving Trust, Kings County Trust, and United States Trust. As the names imply, the relative safety and stability of the trust business, both corporate and personal, has been a sustaining influence of great importance. On the whole, banks strongly fortified in the trust field are faring best under prevailing conditions.

It is quite possible, of course, if not probable, that stocks of certain banks which have suffered more severely in the depression offer maximum possibilities of appreciation in revival, since they have been carried down in proportion and since any recovery in asset values would necessarily mean more to them than to the banks which have sacrificed current profits for the sake of maximum safety.

Moreover, there is grave risk of injustice or error in attempting to determine from a published statement whether one bank is stronger or weaker than another. The hidden factor is the degree of conservatism with which write-offs have been made. This cannot be readily determined from comparative statements.

Four in Strong Position

Without invidious or misleading comparison, this article singles out four bank stocks for special investment attention, distinctly upon a long-term basis. They are selected both because each appears to be in a notably strong position and because they afford a wide range of choice as to price. The four are Central Hanover, selling at $93; Bankers Trust, selling at $47; Chemical Bank & Trust, selling at $29; and Irving Trust, selling at $15½.

Central Hanover is the outgrowth of a merger in 1929 of the old Hanover National Bank and the Central Union Trust. The Hanover National dates back to 1851 and long was known as "a bankers' bank," specializing in accounts of large corporations and financial institutions. Its essentially commercial business was rounded out by the Central Union merger, the latter bank contributing a very large business in corporate and personal trusts. The combined institution controls one of the largest volumes of trust business of any bank in the country. It has long been noted for the ability and conservatism of its management. Unlike the majority of its larger competitors, this bank never involved itself in the securities business. Probably the most dangerous thing it ever did was to lend Ivar Kreuger $1,000,000. The slickest thing it ever did was to get back the money.

Total capital funds of Central Hanover as of June 30 stood at $91,119,469, as compared with $100,103,248 at the close of 1931. Before payment of dividends of $3,150,000 during this period, the decline was

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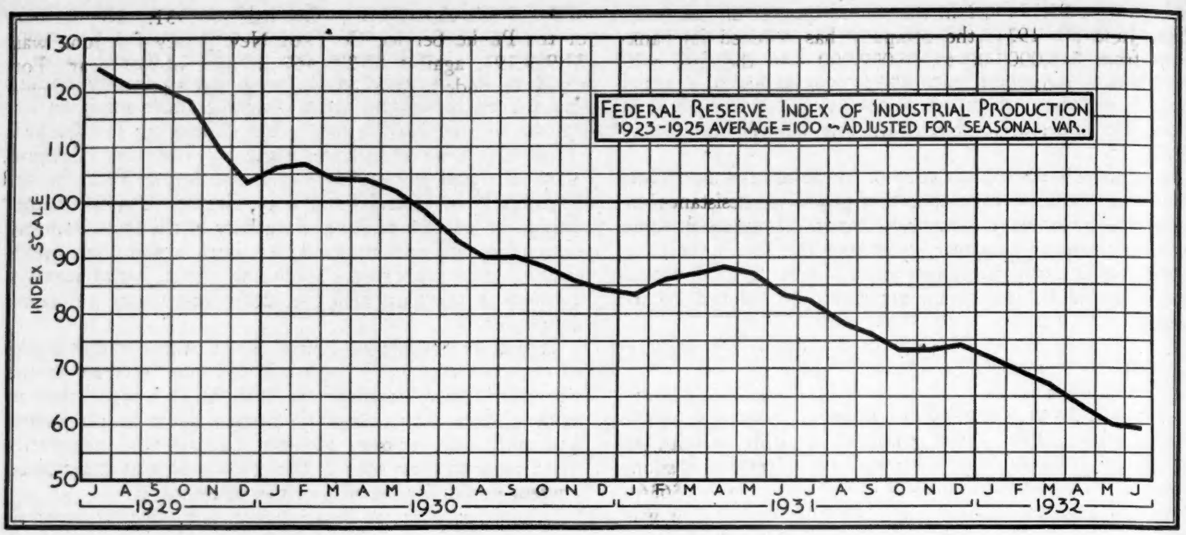
Nine Leading New York City Banks

	Total Capital Funds June 30, 1932	Total Capital Funds Dec. 31, 1931	Deposits	Book Value	Dividend	Recent Price
Central Hanover	$91,119,469	$100,103,248	$530,773,953	$86.78	$7	$93
Bankers Trust	101,847,848	100,020,371	546,614,377	40.74	3	47
Chemical Bank	66,260,562	65,758,832	275,688,127	31.55	1.80	29
Irving Trust	125,137,163	125,506,711	385,387,510	25.10	1.60	16
Chase National	265,381,150	291,075,093	1,302,456,351	35.86	2	24
National City	227,092,007	246,289,135	1,214,266,592	36.64	2	28
Guaranty Trust	270,495,733	284,969,038	928,343,300	300.55	20	191
First National	120,273.278	122,537.242	325,368,894	1202.78	100	970
Corn Exchange	37,696,477	37,549,501	245,495,456	50.26	4	51



What Second-Quarter Statements Show

One Industry Has Turned the Corner—A Few Others Show Signs of Betterment—Large Number Continue at Low Ebb — Stability Increasing

By John D. C. Weldon

As reflected in the second-quarter earnings statements of leading corporations, the aggregate decline in the profits of American business has not yet been halted. In at least one major industry, however, a turn for the better is clearly indicated. In several others investors can find some reassurance in a relative stability of earnings. In the more depressed heavy industries, despite a continued recession, there is substantial long-term promise in the remarkable extent by which operating costs have been reduced.

Oils Turn Up

The petroleum industry constitutes the outstanding bright spot in the current earnings record. For it the second quarter of 1932 is of probably historic significance in marking a rather general turn from loss to profit. While this is a highly gratifying development, there is no reason to suppose that it is of significance in relation to broader industrial revival.

The oil industry is virtually unique in that depression and reduced public purchasing power have not seriously curtailed demand. Its problem for years has been one of excessive supply and uneconomic competition in marketing. Its present emergence into a more profitable period is due chiefly to effective proration of crude production, to the more complete integration of leading companies and to the lessons of efficiency learned in a depression which by some time preceded that of general business.

Only a limited number of oil companies have issued second-quarter statements. These, however, may be taken as fairly representative of the industry as a whole. The Atlantic Refining Co. shows profit of $2,750,000 for the quarter ended June 30, as compared with $435,000 in the preceding quarter and with a net loss of $1,850,000 in the second quarter of last year. Second-quarter net amounted to $1.02 per share on the common stock, against 16 cents in the first quarter. For the half-year, profit was $3,185,000, against a loss of $4,013,000 in the first half in 1931. Thus, earnings in the second quarter slightly exceeded the company's common dividend for the entire year.

The Sun Oil Co. reports net of $2,030,918, or $1.13 per common share, for the first half of the year, compared with profit of $1,049,403, or 49 cents a share, in the first half of 1931. Union Oil of California shows second-quarter net of $550,000, as compared with $100,000 in the corresponding quarter of 1931.

The Phillips Petroleum Co. shows net profit of $1,324,430 for the June quarter, or 32 cents a share on the capital stock, against a net loss of $2,136,922 in the first quarter

and a loss of $2,054,802 in the second quarter of last year. Since June 30, 1931, the company has reduced its bank loans from $18,000,000 to $6,000,000. In the first half of this year it has retired $1,476,000 of its bonds.

Resistance of Essential Industries

Companies dealing in foods and other necessities of life show, as might be expected, a considerable resistance to depression. While earnings have declined, most such companies at least remain on the profit side by a substantial margin. The General Foods Corp. in the June quarter earned profit of $3,455,325, against $4,595,059 in the corresponding quarter of 1931. For the half-year the company's net was $7,889,100, as compared with $10,167,458 in 1931.

General Mills for the year ended May 31 had the distinction of earning $3,891,200 or a trifle more than the $3,869,665 shown for the preceding fiscal year. The Beech-Nut Packing Co. shows a comparatively moderate recession, profit for the June quarter being $493,555, against $636,092 in this quarter of last year. Net for the half-year was $961,554, against $1,172,970 last year. Loose-Wiles Biscuit Co. earned $368,203 in the June quarter, against $551,600 in the second quarter of last year. A particularly good record is shown by the National Biscuit Co. Second-quarter profit was $4,280,038, against $4,566,121 in 1931. The half-year profit was $8,499,996, against $9,406,791 in 1931. Kroger Grocery earned $1,365,045 for the twenty-four weeks ended June 18, against $2,316,242 in the corresponding period last year. The Corn Products Refining Co. earned $2,042,208 in the June quarter, against $3,104,888 in the June period last year.

Evidently the American public has now reached the point where it is reluctant to spend even its nickels. The William Wrigley Co. earned $1,800,340 in the June quarter on its sales of chewing gum, as compared with $3,057,221 in the second quarter of 1931. American Chicle, however, had profits of $516,430 in the second quarter, against $624,115 last year. Hershey Chocolate, to whom the 5-cent customer also is important, earned $1,000,445 in the second quarter, against $2,047,950 last year.

Most drug, soap and cosmetics companies also remain on the profit side, although profits have dwindled importantly. For the year ended June 30 Procter & Gamble earned $9,132,545, against $22,650,818 in the preceding year. For the six months ended June 30, Colgate-Palmolive-Peet earned $1,030,711, against $4,003,694 in the corresponding period of 1931. The Lambert Co. in the June quarter earned $1,147,699, against $1,462,222 in 1931.

There is no surprise, of course, in the fact that public utility earnings have stood up much better in depression than have the profits of most other industries, for the industry is non-competitive and its products are necessities of modern life. The reports of two large companies may be taken as representative. For the six months ended June 30, net income of American Telephone was $75,099,346, or $4.02 per common share, as compared with $89,212,357, or $4.89 per share, in the first half of 1931. Net income of the Public Service Corp. of New Jersey for June was $1,984,193, against $2,228,467 in June of last year. For the year ended June 30, net was $30,149,236, as compared with $31,267,815 in the preceding year.

Genuine and permanent recovery in security values will necessarily depend upon a recovery in the level of corporate earning power. The accompanying analysis of second-quarter earnings statements of leading companies indicate that the general shrinkage of profits has not yet been reversed for the majority of companies. It does, however, suggest that widespread reduction in costs paves the way for relatively rapid profit recovery on any substantial expansion of gross business.

Hard Hit Chemicals

Profits of the chemical industry, largely dependent upon general business conditions, have been hard hit by depression. E. I. duPont de Nemours & Co. shows net profit of 27 cents a share on its common stock for the June quarter, as compared with $1.23 a share in the second quarter of 1931. The bulk of even this small profit was contributed by dividends from the company's large holding in General Motors, its operating net for the quarter being only 4 cents a share. Mathieson Alkali earned 20 cents a share in the June quarter, against 32 cents in the first quarter and 51 cents in the June quarter of 1931. Monsanto Chemical earned $258,361 in the second quarter, as compared with $416,076 in the corresponding period last year. Union Carbide, second quarter, $2,254,997, against $4,506,155 last year. Commercial Solvents Corp. earned $295,820 in the second quarter, against $644,799 last year. The sulphur companies show relatively stable earnings, Texas Gulf Sulphur reporting net of $1,384,423 for the second quarter, against $1,939,967 last year. Freeport Texas Co. in the first half of the year had profit of $1,060,743, as compared with $1,185,092 in 1931.

Companies in the field of construction have had earnings seriously impaired. Johns-Manville Corp. in the second quarter suffered a loss of $602,270, against a profit of $715,657 in the second quarter of 1931. Otis Elevator had a loss of $149,595 in the June quarter, as compared with a profit of $1,385,658 in the June quarter of 1931.

The automobile industry likewise presents an uninspiring profit picture, although the financial strength of most units in this field has been impressively maintained. General Motors Corp. in the second quarter earned only $5,326,377, as compared with $55,122,767 in the corresponding quarter of last year, or 7 cents a common share, against $1.21 a share last year. Chrysler earned $1,186,052 in the second quarter, against $3,321,962 in the June quarter of 1931. Nash Motors had profit of $322,281 in the second quarter, against $1,260,574 last year. Since the second quarter is the most active of the year in the automobile industry, these records suggest a further shrinkage in the present quarter.

As to railroad earnings, no detailed comment is necessary. The second quarter of the year saw a continuation of the shrinkage in income, with the majority of roads hard-pressed to cover fixed charges and only a few showing any earnings available for stockholders. In coming months, however, seasonal improvement in this industry is probable.

The steel industry, always noted for its "prince and pauper" alternation, remains for the present in the pauper stage. The second-quarter report of the United States Steel Co. may be taken as typical. Its loss for this period was

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Our Stake In Chile

Recent Political Disturbances Threaten American Investment of 700 Million Dollars

By WARREN BEECHER

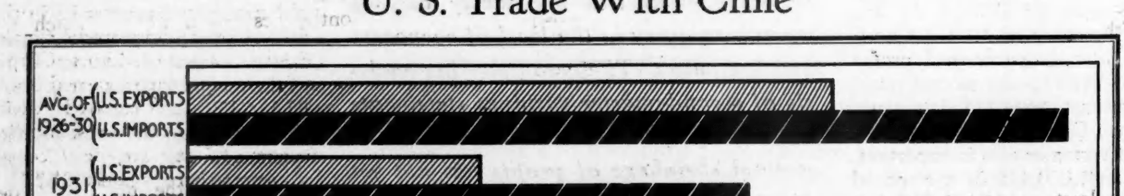
Among the South American countries Chile is second only to Argentina in amount of U. S. capital invested.

Important American concerns with branches or subsidiary companies in Chile include:

American and Foreign Power
Anaconda Copper
Bethlehem Steel
Colgate-Palmolive-Peet
Du Pont
Ford Motor Company
International Telephone and Telegraph
Kennecott Copper
United States Steel
Guggenheim interests in Cosach*

*Chilean Nitrate Combine: Compania de Salitre de Chile.

U. S. Trade With Chile



We Buy From Chile

3 Year Average

Commodity		Quantity	Value thousands of $
Copper	1000 lbs.	211,876	32,615
Copper Ore	" "	35,359	4,106
Iodine	" "	617	2,158
Sodium Nitrate	" tons	835	30,662
Iron Ore	" tons	1,611	2,364

We Sell to Chile

3 Year Average

Commodity		Quantity	Value thousands of $
Machinery			8,631
Iron and Steel Prods.			6,284
Gasoline and Fuel Oil	1000 bbls.	5,970	6,285
Cotton Cloth	1000 sq. yds.	21,313	2,508
Automobiles, Trucks, etc.	No.	5,228	4,664

WHILE the coup d'etat in Germany represents a dictatorship with a decided inclination to the right, the newly set-up provisional government of Chile under the Socialist leader, Carlos Davila, is distinctly a revolt favoring the left. This is by no means a favorable development in the country which is the first among those in South America in point of American capital invested in corporate enterprise. Over 330 million dollars of our money are invested in copper and nitrates in Chile and nearly 67 million in utilities. It is true that the new government has announced that private enterprise will be allowed to continue; but the official program calls for a tremendous tax on all large fortunes and incomes and division of large estates for colonization which are not paying taxes.

The new regime is effecting a state

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Bonds Respond to Allayed Fears

The Real Test Is Not How High the Market Can Go At This Time, But How Well the Decided Appreciation from the Year's Lows Can Be Maintained

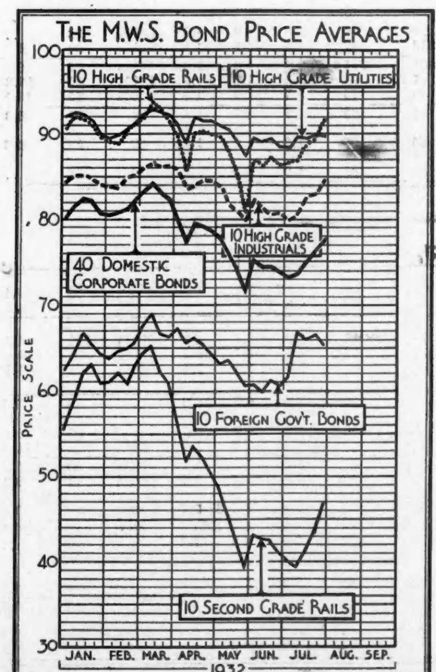
By J. S. Williams

RECOVERY in the bond market has picked up impressive momentum, the rally at this writing having nullified the major part of the severe loss recorded between March and the start of June. The movement has been so broad and persistent as to suggest rather strongly the probability that bottom has been seen in this market, regardless of the lack of convincing evidence of a real turn in the business tide and regardless of the generally low state of corporate earning power.

It is perhaps hardly to be expected that the recent speed of recovery can be much longer maintained in an investment market, unless in coming weeks the business indexes reflect a substantially greater business improvement than now appears likely. A slackening of the pace of advance, however, would in no sense be disappointing. The real test is not how high the market can go at this time, but how well the decided appreciation from the year's lows can be maintained.

With the adjournment of Congress, one of the chief factors of uncertainty and hesitation in the market has been removed. Fears of currency inflation, much exaggerated a few weeks ago, have now waned. Inflationary proposals will at least not be heard again until Congress reassembles. This will not be until December at the earliest and it may be later. Even with Congress back in session, it may well prove that the public's fear of inflation has passed its peak. While the budget has not been conclusively balanced, the greater part of the gap between governmental revenues and expenditures has been closed. This should make it possible to hold any necessary Federal borrowing next year within a safe minimum.

In the main, the cause of the much improved tone in bonds appears to be psychological. The fact is, as repeatedly emphasized in this publication, that the recent low quotations represented an appraisal determined much more largely by forced liquidation and vague fears than by a rational estimate of current values. It was apparently believed by many investors not long ago that bonds of most railroads were headed for receivership.



Even if this were true, bond prices were unjustifiably low in early June. From such a grotesque nightmare there was certain to be an upward reaction and a gradual recognition by investors of existing values.

The fear of wholesale rail receiverships has now been relieved. By means of the credit extended by the Reconstruction Finance Corporation, the weakest roads will be tided over the rest of this year at least. If, thereafter, there is a substantial business revival the Federal relief program will have proved a success. If not, the borrowing roads will have increased their debts and fixed charges and some reorganizations will be inevitable although probably on no such scale as recent fantastic prices appeared to suggest. In any event, thanks to Government help, a period of months lies ahead during which the specter of receivership can hardly arise.

Recovery in bonds has served its usual function of substantially bolstering sentiment. Whether it represents the beginning of a general turn in the underlying depression is by no means clear. Since most bonds were much under-valued even on existing earnings, it follows that a rational adjustment to higher prices is quite logical without any change in the level of corporate earning power. In short, recovery in bonds and the permanent maintenance of a price level substantially above the year's lows would be possible without the dynamic business change which would be necessary for sustained recovery in equities.

Not the least important aspect of the current recovery is the opportunity it offers for long-delayed new financing. Thus far, this has been confined chiefly to gilt-edged mortgage issues of operating public utilities. Such offerings have

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S BOND Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed on the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those, however, who desire to employ their funds in fixed-income-bearing securities at this time, we have "starred" those which appear to us the most desirable on an investment basis. Generally, commitments should be assumed in accordance with the discussion on the previous page.

Inquiries concerning bonds should be directed to our Personal Service Department.

Note: Two considerations present themselves to the investor in relation to any bond today—the credit standing of the company and the current earning position. In appraisal, therefore, it is desirable to compare the price peak of 1929 and the number of times fixed charges were earned in that year with the relationship existing between price and earnings today.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
★Alleghany Valley Rly. Gen. (now 1st) 4s, 1942	608	90	2.3v	1.9v	1.3v	95	81	6.6	v Earnings Penn. R. R., guarantor—High grade.
Atch., Top. & Santa Fe Adjust. 4s, 1995	311	52	5.6	3.9	2.8	93	85	4.8	Junior to the General 4s, 1995, but still high grade.
Atlantic Coast Line 1st Cons. 4s, 1952	155	51	2.6	1.9	1.3	95	70	6.8	Reasonably well secured issue.
Baltimore & Ohio 1st 4s, 1948	627	157	2.0	1.7	1.1	93¼	74	6.7	Secured by valuable mileage.
Central R. R. of New Jersey Gen. (1st) 5s, 1987	57	49	1.9	1.5	1.0	111⅛	83	6.1	High grade, but debt per mile is large.
Chesapeake & Ohio Gen. 4½s, 1992	224	50	4.5	4.2	3.5	100¼	86	5.3	Subject to some $42 million prior liens.
Chicago, Milwaukee, St. Paul & Pacific Mtge. 5s, 1975	477	106	2.2	1.3	.7	94¾	20	..	Junior issue and failure to earn charges disquieting.
Chicago & North Western Gen. 5s, 1987	350	141	2.1	1.5	.6	109¾	59	8.5	Loss of traffic somewhat alarming.
Cleveland, Cincinati, Chicago & St. Louis Ref. & Imp. "E" 4½s, 1977	173	65	2.8x	1.6x	1.0x	100½	38	12.0	x Earnings are N. Y. Central's, lessee of the road.
★Erie Railroad Cons. Prior Lien 4s, 1996	288	35	1.8	1.3	.9	88	68	5.9	Unlikely to be disturbed under any circumstances.
Great Northern Gen. "E" 4½s, 1977	355	206	2.4	2.0	1.3	97⅜	50	9.2	Secured by entire property and by pledge of Burlington stock.
Kansas City Southern 1st 3s, 1950	52	30	2.2	1.5	1.1	88⅝	58	7.2	Reasonably secure obligation.
★Lake Shore & Mich. Southern 1st 3½s, 1997	670	50	2.8y	1.6y	1.0y	81½	71	5.0	y N. Y. Central's earnings, assuming co.—high grade.
Lehigh Valley Gen. 4s, 2003	90	72	2.1	1.4	.7	90	35	11.4	Anthracite traffic drastically lower.
Long Island R. R. Ref. 4s, 1949	51	27	3.0	3.2	2.9	92¼	78	6.1	Guaranteed Penn. R. R. In addition to which road's own income holds comparatively well.
Morris & Essex R. R. 1st Ref. 3½s, 2000	..	35	2.9w	1.8w	1.1w	80½	69	5.1	w Earnings D., L. & W., guarantor—Well secured issue.
New Orleans, Texas & Mexico 1st Mtge. Ser. "A" 5½s, 1954	45	43	1.5	1.2	.6	105⅛	23	..	Lacks junior issues to cushion effect of traffic decline.
★Northern Pacific Prior Lien 4s, 1997	313	107	2.5	2.2	1.6	91⅜	80	5.0	Strong, well secured issue.
Pennsylvania R. R. Gen. 4½s, 1965	551	285	2.3	1.9	1.3	100⅛	72	6.6	Reasonably safe issue.
Pere Marquette 1st "A" 5s, 1956	77	65	3.8	1.7	.5	104⅞	44	12.3	No junior issue to act as cushion.
Texas & Pacific Gen. & Ref. "C" 5s, 1979	85	40	2.7	1.9	1.5	100⅞	40	12.5	Subject to substantial prior liens.
★Virginian Railway 1st "A" 5s, 1962	66	60	2.5	2.1	1.8	108	83	6.3	Should easily earn fixed charges 1932—high grade.
Western Maryland R. R. 1st 4s, 1952	65	47	1.9z	1.6z	1.3z	82	52	9.3	z Earnings Western Maryland Ry. Co.—Successor.
Western Pacific 1st "A" 5s, 1946	54	45	1.2	0.9	.3	100	34	..	Lack of earning power warrants caution.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
Alabama Power 1st & Ref. 4½s, 1967	97	63	2.8	2.3	1.9	96½	72	6.5	Junior issue with considerable merit.
Am. Power & Light Deb. 6s, 2016	364	46	1.8E	1.7E	1.6E	106¾	58	10.4	Holding Company unsecured obligation.
Appalachian Elec. Pwr. 1st & Ref. 5s, 1956	85	63	2.3	2.2	2.0	99¾	82	6.5	Reasonably sound holding.
★Bell Telephone of Pennsylvania 1st & Ref. "C" 5s, 1960	97	85	3.2	2.7	2.8	108¼	101	4.9	Impressive earnings record—high grade.
Brooklyn Edison Gen. "A" 5s, 1949	67	56	6.5	6.1	6.2	105¼	103	4.7	Exceedingly high grade investment issue.
★Cincinnati Gas & Elec. 1st "A" 4s, 1968	35	35	5.7	5.3	5.4	90½	92	4.4	Columbia Gas controls—highest class of utility investment.
Commonwealth Edison 1st "F" 4s, 1981	180	157	3.8	3.7	3.3	..	75	5.5	High grade, but Insull fiasco depressing influence.
Con. Gas of New York Deb. 4½s, 1951	343	340	5.3	5.5	4.9	..	90	5.4	Unsecured obligation of a strong company.
Cont. Gas & Electric Deb. "A" 5s, 1958	117	52	1.8	1.7	1.7	91¼	48	11.2	Among the better utility debentures.
Duke Power 1st & Ref. 4½s, 1967	64	40	3.7	3.0	2.7	97½	89	5.2	Strong issue—interest charges well earned.
Florida Power & Light 1st 5s, 1954	74	52	1.5	1.5	1.5	93¼	61	9.2	Medium grade bond.
Illinois Power & Light 1st & Ref. "C" 5s, 1956	138	95	1.9	1.8	1.7	94¼	58	9.5	Represents large proportion total debt—medium grade.
Indianapolis Power & Lt. 1st "A" 5s, 1957	38	38	2.9	2.7	2.5	99⅝	86	6.1	Reasonably safe holding.
International Tel. & Tel. Deb. 5s, 1955	187	123	3.0	2.3	1.8	..	30	..	Chaotic conditions abroad obscure outlook—fair speculation.
Jersey Central Power & Light 1st & Ref. (now 1st) "C" 4½s, 1961	42	42	2.3	3.0	2.8	..	78	6.1	Strong issue affected by Mid West control.
Kansas City Power & Light 1st 4½s, 1961	41	41	3.8	3.7	4.0	..	93	5.0	High grade investment.
Milwaukee Elec. Rly. & Light Ref. 1st (now 1st) 5s, 1961	64	64	3.4	2.9	1.9	101⅝	78	6.7	Medium grade issue.
★New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.2	3.2	3.1	100¼	97	4.7	Gilt-edged.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
Pacific Gas & El. 1st & Ref. "F" 4½s, '60	336	170	2.5	2.4	2.4	..	87	5.4	Strong investment issue.
★Pacific Gas & Electric Gen. & Ref. 5s, 1942	336	36	2.5	2.4	2.4	103¼	102	4.7	Prior in lien to the 1st & Ref. bonds.
Philadelphia Co. Sec. 5s, 1967	150	60	2.3	2.4	2.3	100	80	6.4	Secured by pledge Duquesne Light common.
Public Serv. El. & Gas 1st & Ref. 4½s, '67	119	91	3.9	4.0	3.8	100	97	4.7	High grade investment issue.
★Southern California Edison Ref. 5s, 1951	138	120	3.3	3.3	3.2	102¾	97	5.3	High grade issue—Interest amply covered.
Washing'n Water Power 1st & Gen. 5s, '60	21	15	6.2	4.0	3.7	..	89	5.8	Substantial margin of safety in earnings.
★West Penn. Power 1st "G" 5s, 1956	47	47	4.2	4.0	4.1	105	100	5.0	High grade investment issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned 1929	1930	1931	Price 1929 High	Recent	Yield to Maturity	COMMENT
American Rolling Mill Deb. 5s, 1948	43	24	5.3	1.1	def	102⅞	38	..	Speculative—company hard hit.
American Smelting & Ref. 1st "A" 5s, '47	36	36	12.6	7.1	1.5	102¾	81	7.1	Affected by chaotic copper situation—issue, however, possesses decided merit.
Armour & Co. (Del.) 1st Guar. "A" 5½s, 1943	68	56	1.3c	1.0c	def c	92½	64	11.3	c Earnings of Armour & Co. (Ill.), guarantor—somewhat speculative.
California Packing Conv. Deb. 5s, 1940	15	15	..	1.2	def	..	60	13.3	Drastic decline in earnings over last year or two.
Dodge Bros. Deb. 6s, 1940	44	44	7.2d	1.1d	1.7d	105⅞	73	11.2	d Earnings Chrysler, assuming co.—Medium grade.
Goodyear Tire & Rubber 1st & Coll. 5s. '57	61	56	4.8	3.0	2.2	95	70	7.7	Medium grade obligation, despite present deplorable condition of the industry.
Illinois Steel Deb. 4½s, 1940	30	19	26.2a	20.0a	3.4a	100	97	5.0	a U. S. Steel's earnings, guarantor of obligation.
Libby, McNeill & Libby 1st 5s, 1942	12	12	2.8	2.6	def	94	54	13.5	Earnings off sharply—speculative.
Liggett & Myers Deb. 5s, 1951	28	15	13.9	15.2	14.7	104	103	4.8	High grade issue.
★Liggett & Myers Deb. 7s, 1944	28	13	13.9	15.2	14.7	121½	118	5.0	Senior to the 5s of 1951.
Loew's, Inc., Deb. 6s, 1941	32	11	NF	NF	NF	100½	76	10.1	Medium grade—affected by beclouded condition of the industry.
New York Dock 1st 4s, 1951	24	13	1.8	1.8	1.7	87¾	52	9.5	Probably over-depressed at present prices.
Paramount-Famous-Lasky (Now Paramount Publix) Deb. 6s, 1947	109	12	5.5	5.0	2.0	100¾	20	..	Prospects uncertain.
Std. Oil Co. of N. Y. (Now Socony-Vacuum) Deb. 4½s, '51	99	50	17.7	9.0	.1	98⅛	91	5.2	Strong debenture, despite recent drastic slump in earnings.
★Std. Oil Co. (N. J.) Deb. 5s, 1946	173	90	19.7	7.4	3.2	103⅜	103	4.7	Industrial issue of the highest class.
Texas Corp. Deb. 5s, 1944	115	100	..	3.2	def	103	86	6.7	Medium grade, but deficit suggests caution.
Tobacco Prod. (N. J.) Coll. Trust Deb. 6½s, 2022	36	36	..	..	..	..	93	7.0	Secured by pledge of a lease agreement with Am. Tobacco—interesting issue.
Union Gulf Coll. Trust 5s, 1950	60	60	..	3.0b	def b	..	93	5.6	b Gulf Oil (Pa.) earnings, virtually guarantor of issue.
Western Electric Deb. 5s, 1944	35	35	6.9	4.3	3.3	105	92	5.9	Strong issue, though co.'s present earnings believed poor.
Wilson & Co. 1st 6s, 1941	20	19	2.3	2.6	def	103½	74	10.6	Medium grade—company hard hit.

Short Term Issues

Company	Due date	Amount of this issue (millions)	Fixed Charges times earned 1930	1931	Recent Price	Yield to Maturity	COMMENT
Bethlehem Steel P. M. & Imp. 5s	7.1.36	25	4.3	1.0	82	10.7	Steel industry badly depressed—Issue now but medium grade.
Chicago & Northwestern Deb. 6½s	3.1.36	15	1.5	.6	65	..	Road faces serious financial difficulties.
★Consumers Power 1st & Ref. 5s	1.1.36	33	4.5	3.7	102	4.4	Exceedingly high grade issue.
★Corn Products Refining 1st 5s	5.1.34	2	138.0	121.7	103	3.4	In the highest class of industrial investment.
★Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.9m	3.7m	102	4.4	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	125	3.2	3.2	100	5.0	Company enjoys a fine credit standing.
Glidden Co. Notes 5½s	6.1.35	6	1.0	1.5	71	..	Company hit by depression and past expansion.
Great Northern Gen. "A" 7s	7.1.36	206	2.0	1.3	65	..	Secured by entire property and deposit Burlington stock.
Lehigh Valley Coal 1st 5s	1.1.33	10	1.3	1.3	63	..	Secured on coal lands and guaranteed Lehigh Valley R. R.
Long Island R. R. Deb. 5s	5.1.37	6	3.4	2.9	73	12.4	Sympathetically affected general deplorable R. R. situation.
Louisville & Nashville 1st 5s	5.1.37	2	1.6	1.1	90	7.5	In the highest class of railroad investment issues.
Milwaukee & Northern 1st Ext. 4½s	6.1.34	5	1.3n	0.4n	87	12.0	n Earnings of Chic., Mil. & St. Paul, assuming road.
New York Central & H. R. 4s	5.1.34	48	1.6p	1.0p	66	..	p Earnings N. Y. Central R. R., assuming co.—Strong issue under influence possible financial difficulties.
Portland (Ore.) General Electric 1st 5s	7.1.35	7	2.3	2.0	87	10.1	Well secured bond, but co. faces possible refunding difficulties.
St. Paul, Minneapolis & Manitoba Cons. (Now 1st) 4½s	7.1.33	42	2.0q	1.3q	90	15.4	q Earnings Great Northern, assuming co.—High grade.
Smith (A. O.) 1st 6½s	5.1.33	3	23.6	13.9	98	8.6	Company's strong financial position reassuring—Interesting issue.
★Southern Pacific R. R. (Cal.) 1st 5s	11.1.37	4	2.1r	1.2r	100	5.0	r Earnings Southern Pacific R. R., guarantor—High grade bond.
Texas Power & Light 1st 5s	6.1.37	25	2.2	2.0	96	5.9	Reasonably safe investment.
Third Avenue R. R. 1st 5s	7.1.37	5	1.6	1.9	89	7.7	Among the stronger traction issues.
White Eagle Oil Deb. 5½s	3.15.37	4	4.6s	.1s	102	5.0	s Earnings Std. Oil N. Y. (Socony-Vacuum) assuming co. Secured equally with co.'s own debentures.

★ Our preferences in above list. E—Estimated. NF—Not available.

Rate Fixing By Arbitration

A Hitherto Untried Method of Settling Rate Controversies Between Public Utilities and Their Customers

By Ernest Greenwood

The plan for settlement of rate questions offered in this article appeals to us as highly practical. It has potentialities for saving money not only for the taxpayer and consumer, but for the investor in utilities whose funds it is that are dissipated in the endless litigation of the present system.

ARBITRATION, as a method of settling disputes, is almost as old as the law itself. It has been used over and over again since the early days of history as a means of escape from the delays and expenses of ordinary legal processes.

Arbitration laws abrogating common law rules have been adopted by Arizona, California, Connecticut, Hawaii, Louisianna, Mississippi, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Wisconsin and the United States. These laws permit the parties to enter into an agreement containing an arbitration clause to compel arbitration and set up machinery to that end; provision for stay of any action commenced in violation of such arbitration clause; and provide for the irrevocability of the authority of the arbitrators.

Application to Utility Rates

The principle of arbitration has never been applied to rate fixing for electric utilities although there is no apparent reason why it should not be. There is no reason why any community, or group of communities served by a single company or system, struggling with a rate controversy cannot enter into an arbitration agreement with the company and set up an Arbitration Board consisting of men so outstanding in the business, industrial and commercial world that the integrity of their findings could not be attacked. On this board both the company and the community could be represented with the balance of power held by a third and independent group picked by these representatives.

The members of such a board, assisted by a small group of picked engineers and other experts, could sit around a table, and arrive at some agreement for a scientifically constructed rate structure which would meet any merited complaint on the part of the public. There need be no long drawn out public hearings or voluminous printed records of proceedings. There need be no lawyers representing various groups and no summoning of endless witnesses anxious to get into the public prints. There need be no formal proceedings of any kind —just a series of friendly *private* conferences instead of the hearings which sometimes last over a period of years in the case of a complaint to a Public Service Commission or the cat-and-dog fight involved in a rate case carried into court which always results in an appeal no matter which side may win or lose.

The first objection which might be raised to such a scheme is that it would have a tendency to tear down the whole system of regulation by state laws administered by Public Service Commissions. This is not true. It would not disturb the present situation in the slightest degree. The final opinion or agreement reached by the Arbitration Board could be handed to the Public Service Commission as its best judgment as to proper rates for the various classes of service for authoritative approval and promulgation. The company would have agreed to them through its representatives. The city would have agreed to them through its representatives. The public would have a sense of security because not only the representatives of the city government but their own representatives, the independent group on the Arbitration Board, had agreed to them. If any group or groups should file a complaint against the new rates for the sake of raising a disturbance the burden of proof would be upon them. The Commission could hold hearings, if it thought advisable, with the Board of Arbitration defending the new rates and with ample evidence to back them up.

Why State Regulation Fails

The theme song of all professional advocates of municipal, regional, state or Federal ownership and operation of electric utilities is that "regulation by states has failed." If this is true, even in the slightest degree, then the fault must lie with the machinery set up to enforce the public utility laws in the various states. The laws themselves are sound enough and if properly enforced give adequate protection to both the consuming public which has given the utility a monopoly insofar as competition from a like service of like kind is concerned and the companies which have undertaken to render the service.

This does not necessarily imply that the members of the various public service commissions are dishonest and playing into the hands of the companies. Nor does it suggest that they are inefficient or negligent in their duties to the public. It does suggest, however, that possibly there may be something wrong with the procedure

which keeps the public mind in a continual ferment of dissatisfaction.

An admirable illustration is that of New York City with its 7 millions of people crowded into an area of 300 square miles and with its perennial complaint about electric light and power rates—most particularly about residential rates. It presents not only all of the problems facing the operators of electric light and power companies but several very special problems of population density, construction, distribution and load factors which are not to be found in any other city in the world.

New York's Experience

In 1923, Mayor Hylan filed a complaint on behalf of the city with the Public Service Commission. The hearings held in response to this complaint stretched over a period of six years. In July, 1931, the companies serving Greater New York announced a new rate schedule which had been agreed to by the Commission and which, it was claimed, would save the consumers at least 5½ million dollars a year. But the public was skeptical. It wanted to know what class of consumers would be benefited—the small, domestic customer or the users of large commercial and industrial electric light and power.

Some time later Mayor Walker filed a complaint against the new rates which was followed by a move on the part of the Corporation Counsel to impound all payments made by consumers until the Commission decided to do something about it. It was claimed that the new rates were not working out as a reduction to the mass of small consumers and that through consolidations and savings the Edison companies should effect reductions totalling 20 million dollars. Finally the Commission held public hearings on a separate complaint filed by a taxpayers' association and has now reached the conclusion that "until there has been a fair trial period of the present rates, no formal rate proceeding should be instituted against the six companies which have put the present rates into effect."

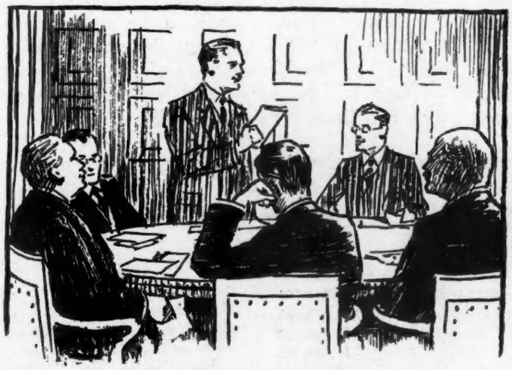
A study of the opinion handed down by the Commission indicates that about the only way of fixing new rates is by negotiation and agreement between the companies and the Commission. It also indicates that this method of rate fixing is unscientific and lacking in any sound foundation on which the new rates might be based. It admits that the Commission does not know whether the new rates are having the promised effect or not.

The trouble with this method of rate fixing is that it is a system of trial and error with the odds in favor of the error. The commission holds a lot of hearings, prints voluminous reports, puts down some figures on paper in agreement with the companies, and says: "We'll try this scheme for a year or two."

Great difficulties beset the way of fixing the value of public utility properties. There seems to be almost insurmountable obstacles in the way of using "reproduction cost," "actual cash investment," or "prudent investment" as a basis for valuation. They back away from a formal rate proceeding in the courts and with good reason, for it means years of litigation and a very large expenditure of money.

But the consumers in Greater New York are just as dissatisfied with the new rates as they were with any preceding rates and the discussion of the Public Service Commission leaves them cold and unresponsive. They point to the great density of population which the electric light and power industry has always claimed was necessary for low rates in any area and point to other cities where the populations are much smaller and the area much greater and which seem to be enjoying lower residential rates. They extract a leaf from the industry's own book and argue that the cost of generation is relatively unimportant in rate fixing—that it is the cost of distribution and that this cost depends entirely on population density.

These consumers—at least those who have given the matter any intelligent thought—must admit certain unusual circumstances peculiar to New York such as high cost of underground construction and maintenance and various tricky problems of the load factor. But they probably do not believe they counter-balance the advantages of population density. The only thing they see is that Greater New York consumes 4 billion kilowatt-hours of electrical energy a year which is nearly five per cent of the entire consumption in the United States, that it pay $170,000,000 a year for this energy, and that it is all consumed within an area of 300 square miles.



Acceptable to All Concerned

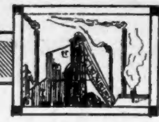
Returning to the plan of a local Arbitration Board which, because of its composition, would ultimately represent the companies, the city government, and the consuming public in presenting new rate schedules to the Public Service Commission for authoritative approval, the companies could not have the slightest objection to opening their books to such a board for its conferences would be private and its records entirely confidential. The technical experts could study specific problems and evaluate them properly. A basis of values of the properties "in use or useable in the public service" would not be difficult to establish. Once this is done an agreement on a scientific rate base for all classes of service could easily be arrived at setting up rates for all classes of service which would give "the best possible service for the least possible money." The decision of the Board of Arbitration could be made binding for a specified length of time to be reconsidered only in times of great emergency or pronounced changes in economic conditions.

It is difficult to conceive of a refusal on the part of the companies to enter into such a friendly arrangement. It would accomplish, almost immediately, and at very little cost, what otherwise may take years of litigation and an expenditure of hundreds of thousands of dollars of their stockholders' money.

It is just as difficult to conceive of dissatisfaction on the part of the people whether they be investors in the securities of the companies, or only consumers, or both. As investors it is their money which the companies are forced to spend in defending themselves in rate case litigation or endless hearings before the Commission. As taxpayers it is their money which is spent by the Public Service Commission in either case. As consumers it is their pocket-books which are affected by any settlement of a rate controversy.

At least, it is worth a trial. If it should not succeed in accomplishing all of the things which it should accomplish, nothing would be lost and much of value might be gained.

MINING



ANACONDA COPPER MINING CO.

Anaconda and the Copper Tariff

How Will This Dominant Leader of the Industry Overcome the Obstacle of the New Import Duty?

By J. C. Clifford

THE Anaconda Copper Mining Co. is the most important single factor in copper today. Why then did it flatly oppose the recently enacted tariff on the metal—a tariff which had as its object the narrowing of the gaping chasm between governmental revenues and outgo and which would at the same time help to cure a sick industry? The stated objectives of the new law are surely extremely laudable ones. The catch, of course, is that they are unattainable in the first place and the attempt does a deal of damage in the second.

No tariff can be effective without a reasonable demand for the goods on which the levy is imposed in the country imposing it. Now in the case of copper, the Department of Commerce reckoned that the stocks of the metal in this country as of the first of the year totaled 608,000 short tons. Since that time they have undoubtedly risen, not only because copper has been produced faster than it has been consumed, but because foreign stocks have been rushed to this country in order to escape the new tariff.

Tariff No Revenue Producer

At the present negligible rate of consumption, takings are running about 25,000 tons a month, or possibly a little better—say at the rate of 350,000 tons a year. There is, therefore, at least enough copper in the country to take care of two years' needs at the present rate of consumption. But the tariff is only supposed to be in effect for two years. It may therefore be said that if the Government's present plans are carried out to the letter the new copper tariff, for all it will do towards balancing the budget and protecting the home producer of the metal, will be as ineffective as "pushin' on a rope."

There is, however, always the threat that the life of the levy will be prolonged until such time as the demand for copper has increased so much that the present colossal stocks appear less overpowering. Under these conditions the price in the United States would not unlikely be higher than the world price. In a word the tariff would be effective, the domestic producer of copper would gain at the expense of the consumer, and the legislators who voted the levy would see their objectives attained. But Anaconda, which undoubtedly has visualized such a possibility, still opposed the tariff. Why?

It must be realized that while Anaconda is the most important producer of copper in the world, by far the greater proportion of its output comes from abroad. One of its subsidiaries, the Chile Copper Co. operating at Chuquimata in Chile is at the moment one of the greatest low-cost copper mines in the world. The operating officials of this company have stated

(*Please turn to page 477*)

Latest Balance Sheets of the Anaconda Copper Mining Co. Compared

ASSETS	Dec. 31, 1931	1930
Mines, lands, etc.	$297,783,089	$295,406,466
Buildings, machinery, etc.	264,721,972	262,568,801
Investments	26,376,923	26,295,923
Deferred charges	11,870,533	11,651,302
CURRENT ASSETS		
Cash	6,362,551	12,152,291
Marketable securities	2,706,830	15,432,697
Accounts receivabl.	11,161,859	15,493,860
Supplies, etc.	28,318,884	32,071,019
Metals, etc.	64,797,634	68,033,235
Total current assets	$113,349,758	$143,183,309
Total assets	$714,102,564	$739,105,794

LIABILITIES	Dec. 31, 1931	1930
Capital stock	$433,845,800	$443,319,000
Minority int.	5,177,270	7,877,968
Funded debt	37,034,000	37,110,000
Reserves	1,976,894	2,698,589
Depreciation res.	95,116,049	90,602,820
Surplus	69,613,562	87,442,901
CURRENT LIABILITIES		
Notes payable	61,500,000	47,500,000
Accruals	2,097,804	4,486,969
Accounts payable	7,741,185	12,523,687
Divs. payable	....	5,543,860
Total current liabilities	$71,338,989	$70,054,516
Total liabilities	$714,102,564	$739,105,794

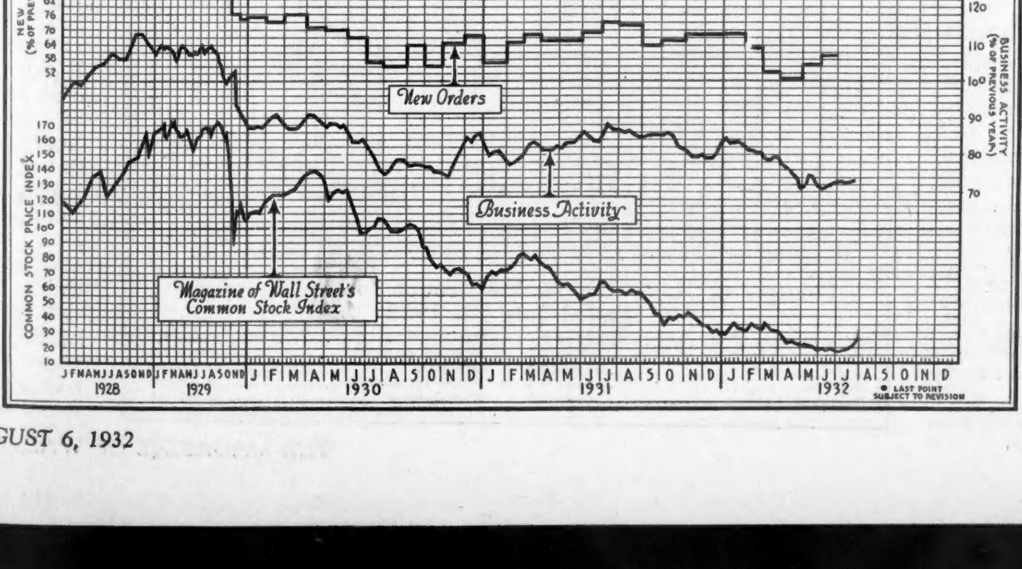
Taking the Pulse of Business

—Slight Improvement in Profits Notable
—Oil's Position Strengthens Further
—New Orders Gain
—Farm Purchasing Power Increases
—Steel and Motors Continue at Low Ebb
—Retail Trade Lags

A MORE definite atmosphere of hopefulness is now generally discernible in financial and industrial circles than at any time since the depression was at last recognized as a world crisis of first magnitude. Unlike previous waves of rising sentiment which soon sank again to new depths, the present feeling of greater confidence seems to spring from an accumulation of constructive developments during the past year rather than to an emotional flare-up in response to some one proposed remedy for our industrial ills. Congress has at last adjourned and left a record of legislation which it is commonly believed will prove sound in the main. The President has signed the Home Loan Bank bill and the Unemployment Relief Act which will place more than two billions of additional capital at the disposal of the Reconstruction Finance Corporation for promoting new construction and alleviating distress among the unemployed. Rightly or wrongly, the ordinary man in the street now believes that the expenditure of all this money may be a force in business revival. It remains to be seen, however, whether our national policy of attempting to stem the depression by extensive use of public funds and involving the piling of debt on debt is a real solution of our troubles or a postponement of the day of reckoning.

The answer to this rather disquieting question cannot be had before next year, and in the meantime and from a shorter range viewpoint it must be admitted that the new spirit of confidence finds some justification in a number of recent events of tangible character, although even their net significance may easily be exaggerated. Business conditions, it is true, are decidedly mixed, with the majority of industries operating at abnormally low levels; yet the Bureau of Labor reports that 17 out of 81 major industries realized increased profits in June. While the bulk of improvement was in lines that normally take on greater activity at this season, this was not universally the case as may be gathered from the few favorable earnings which are now coming to hand. Sugar, tobacco, petroleum, beverages, ice cream, butter, tin cans, radio, livestock, meat packing, hides and leather—to mention the principal lines—are all showing either seasonal or secular gains at the present time.

It is perhaps significant, moreover, that some of the statistical indexes of business have turned upward slightly. New orders for June registered a moderate gain over the advance in May, and the few scattering returns which have thus far been received for July indicate a still further rise of probably greater proportions. The influx of new business is obviously responsible for a moderate upturn in the Business Activity Index which should acquire greater momentum as various plants start up after the Summer holidays to fill the accumulation of New Orders. Of greater importance, perhaps, in its immediate effect upon business and sentiment is the rise in a considerable list of agricultural commodity prices which has added much to the farmer's purchasing power and promises to distribute financial aid, by natural economic means, among localities where fresh funds will tend to strengthen the small country banks which have



given grounds for apprehension for several months.

This situation in common with that of all banks and fiduciary institutions both large and small is further aided by the persistent strength in corporate bonds. Enhanced values presumably result from investment buying arising from restored confidence. Of course the same feeling has produced the upturn in common stock prices, but strength in the Common Stock Index cannot of itself be regarded as too convincing unless and until it is supported by signs of a more active pace in some of the more fundamental industries whose trends are reflected in the summary presented below.

The Trend in Major Industries

Steel—Ingot production has recovered to 16% from the low of 12% and some further seasonal improvement may normally be expected between now and October. Prices have held well during the past few weeks; but demand is so slack that the nearby outlook is not very encouraging.

Metals—Domestic copper holds at 5¼ cents; but Japanese interests are offering the metal for 4.40 cents delivered at European ports. At these prices no producer is making any profit, and chaotic conditions in the industry are likely to continue until England decides upon her tariff policy. Other non-ferrous metals are still soft and in little demand.

Petroleum—Production of crude is still rising moderately; but stocks are falling some on account of the more than offsetting drop in imports consequent upon the new tariff. THE MAGAZINE OF WALL STREET's average of 31 petroleum common stocks has risen to a new high for the year under stimulus of the reported agreement among leading international producers (including Rumania, but exclusive of Russia) to curtail output and stabilize prices outside of the United States.

Construction— The F. W. Dodge Corp. reports contracts awarded in 37 States from July 1 to 15 at $70,505,000, compared with only $57,813,100 during the first half of June. Residential building is now at its lowest ebb; but should be stimulated next year by credit facilities to be made available through provisions of the recently enacted Home Loan Bill.

Cement— Current prices in the East, owing to foreign competition, are the lowest in 15 years; but shipments last month were 1,343,000 above production, and stocks of 24,051,000 bbls. are the lowest since November. In the Middle West, prices have just been raised 30 cents to $1.15 a bbl., and the industry is more hopeful on the prospects of new heavy construction to be authorized in due time by the R. F. C.

Automobiles—Compared with the 915,000 vehicles produced in the first half, the second half of 1932 may not show an output over 650,000 units. About 350,000 of the second half production, or 54%, should be accounted for by the Ford schedule. Truck sales have continued poor and reveal little sign of improvement. Second half earnings will be far less than in the first period of 1932, and well below second half net of 1931.

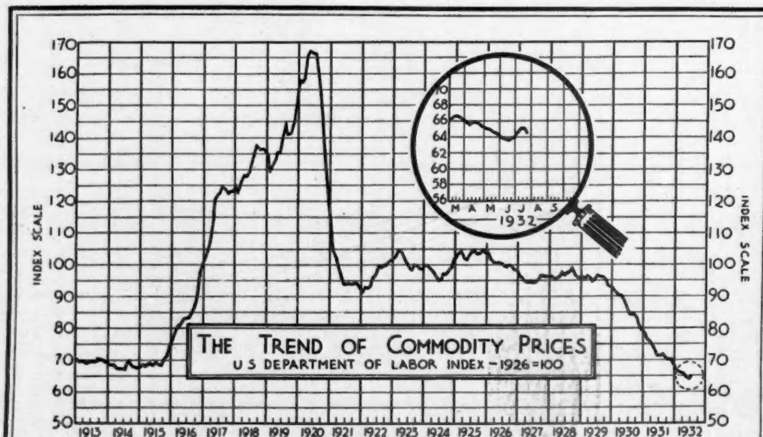
Paper— Newsprint production for the U. S. and Canada combined equalled 246,767 tons in June, compared with 263,974 tons in May, and 295,057 tons in June, 1931. Stocks at mills were 85,531 tons July 1, 92,170 tons June 1, and 73,738 tons July 1, 1931. These figures reveal moderate adjustment of inventory but shrinking consumption. The overhead burden is large and the industry unprofitable under present conditions. Further cut in price seems likely before long.

Retail Trade— Total value of department store sales in June was 26% less than in June, 1931. The decline in the physical volume of goods, however, was smaller, approximating 12%. The dollar sales volume of chain stores reporting to date show decreases for June in every case. The recent tendency towards price stability may improve the situation.

Meat Packing—If present prices for pork and lard are maintained, the major packing companies will realize enough profits on inventories acquired at lower prices to offset losses of the first six months, and thus be able to come out about even on the year.

Textiles—The cotton textile industry operated at about 50% of single shaft capacity in June, the lowest since prewar days. Fine goods output is at only 10%, with sales practically at a standstill. Some seasonal improvement is beginning, and it is rather encouraging to note that inventories are of healthy proportions. While stocks of raw silk are excessive and consumption is still receding, prices have been slightly firmer during the past fortnight in response to an official report that Japan's spring cocoon crop will probably be about 14% less than last year.

Tobacco—Cigarette withdrawals in June were the largest for any month since July, 1931, and only 8% below last June, thanks largely to special sales drives. Cigars, on the other hand, were off nearly 23% from a year ago. Several of the leading cigarette companies, have so cut expenses and increased their advertising that profits are unofficially reported to be running now at record levels.

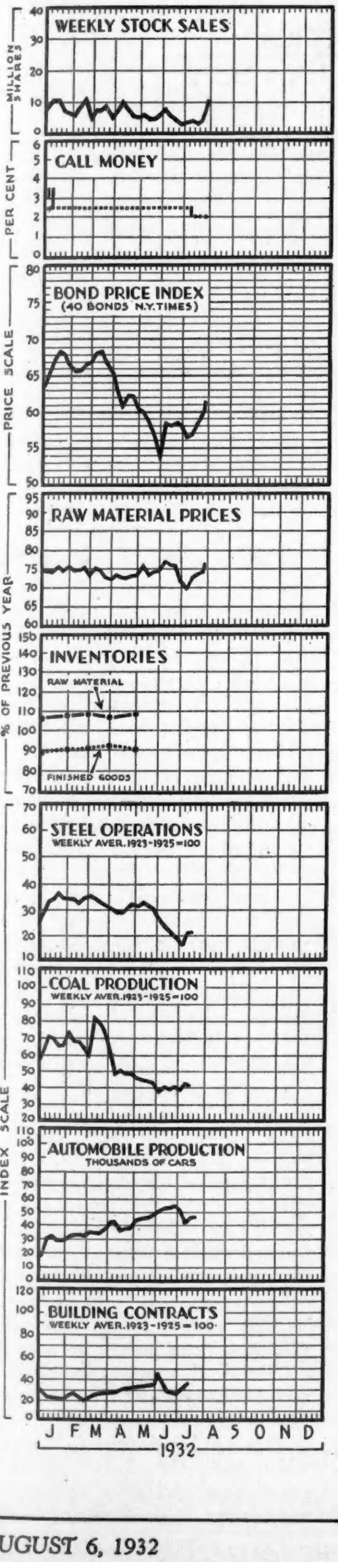


Changes in Major Commodity Groups for the Fortnight Ended July 23, 1932

Farm products	down 0.3	Metals	down 1.1
Foods	up 0.3	Building materials	down 1.3
Hides and leather	down 0.7	Chemicals	no change
Textiles	down 0.6	House furnishings	no change
Fuel and lighting	down 0.5	Miscellaneous	up 0.1

The Magazine of Wall Street's Indicators

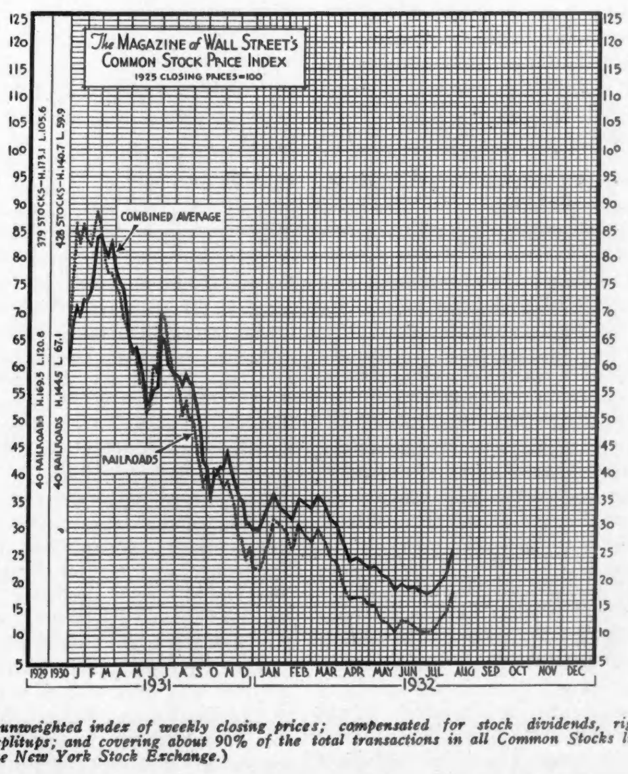
Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues		1932 Indexes High	1932 Indexes Low	July 16	July 23	July 30
84.4	29.2	30.0	345	COMBINED AVERAGE.....	36.4	18.0	19.8	21.4	25.8
142.4	33.0	34.8	4	Agricultural Implements	48.3	17.9	22.9	22.0	31.0
121.2	19.7	21.2	7	Amusements	43.0	11.4	16.2	20.9	27.2
76.9	23.9	23.9	21	Automobile Accessories	27.8	10.7	11.2	11.7	14.2
37.0	12.1	13.1	16	Automobiles	14.4	5.8	6.4	6.7	8.4
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)....	34.6	16.2	19.8	21.0	26.6
38.4	8.3	9.7	3	Baking (1926 Cl.—100)......	12.0	4.8	5.6	5.8	8.0
212.8	112.5	112.5	2	Biscuit	129.9	60.1	70.9	77.0	86.5
162.2	48.1	49.5	5	Business Machines	65.0	29.6	35.9	36.7	45.5
188.5	96.5	99.3	2	Cans	119.0	51.0	58.9	61.2	69.0
157.8	76.2	81.6	7	Chemicals & Dyes	98.3	53.6	60.8	65.7	71.1
71.8	20.8	21.4	3	Coal	26.7	13.1	14.2	17.5	19.5
73.7	18.9	19.5	19	Construction & Bldg. Mat...	24.6	9.9	11.4	12.2	14.5
92.4	30.1	30.2	11	Copper	36.7	14.9	18.3	18.8	25.7
98.0	45.8	47.2	2	Dairy Products	57.8	28.3	31.5	33.6	35.8
30.2	9.6	10.1	9	Department Stores	14.8	4.5	5.2	5.6	6.7
120.4	52.0	53.1	8	Drug & Toilet Articles......	65.4	35.1	39.6	42.8	49.9
149.3	44.7	46.9	5	Electric Apparatus	55.1	28.7	30.9	32.1	39.6
21.5	4.3	4.6	3	Fertilizers	5.5	2.2	3.0	3.5	4.3
91.3	40.8	41.7	2	Finance Companies	58.7	23.7	26.3	29.5	34.4
80.1	43.7	45.3	7	Food Brands	50.4	28.3	30.1	33.1	37.1
83.0	44.4	45.0	3	Food Stores	56.4	33.9	38.6	30.6	42.8
51.7	21.7	21.8	3	Furniture & Floor Covering..	38.2	11.7	13.3	14.5	16.2
45.5	16.6	17.0	5	Household Equipment	21.1	9.6	9.6*	10.4	12.6
89.5	17.1	19.1	10	Investment Trusts	26.4	9.5	11.3	12.9	14.9
96.3	26.1	26.1	3	Mail Orders	27.4	7.7	9.4	10.1	12.5
69.2	22.3	23.4	31	Petroleum & Natural Gas...	32.6	21.6	26.3	29.1	32.6h
68.8	12.7	13.0	4	Phonos. & Radio (1927—100)	17.5	6.2	7.7	7.8	12.0
196.8	77.0	78.1	20	Public Utilities	87.6	37.1	41.9	44.0	54.1
73.1	20.6	21.2	10	Railroad Equipment	26.9	12.0	13.7	15.8	23.8
88.4	22.5	22.5	30	Railroads	31.3	10.4	12.5	13.9	17.7
100.7	41.8	41.8	3	Restaurants	42.3	14.9	18.7	21.8	23.7
38.0	8.8	8.8	3	Shipping	14.3	4.1	5.9	6.8	7.1
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.2	59.0	61.3	67.5	70.6
92.3	25.3	25.8	9	Steel & Iron	30.7	11.7	12.7	15.7	19.8
18.9	7.3	7.3	5	Sugar	9.4	3.8	6.9	6.5	6.6
218.0	84.2	89.5	2	Sulphur	101.7	53.9	65.1	75.2	81.2
132.4	44.5	44.5	3	Telephone & Telegraph	54.4	21.0	25.0	26.2	31.4
46.1	16.1	18.2	5	Textiles	24.6	16.3	18.7	19.5	22.5
15.8	4.4	4.9	5	Tires & Rubber	6.0	2.5	3.3	3.5	4.9
78.6	47.0	48.3	5	Tobacco	68.6	40.8	47.9	49.4	53.4
86.1	26.1	26.1	4	Traction	57.0	17.9	24.8	25.1	25.9
82.0	44.5	44.9	2	Variety Stores	50.9	23.2	26.4	27.5	30.0

* New low record since 1926. h New high record this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

Self-Redeeming Currency

Suggesting Legal Tender Script, Backed by a Stamp Tax on Each Exchange, as a Means of Meeting Our Money Problem

Editor, READERS' FORUM:

The most thought provoking and intriguing suggestion for relieving the present economic upset has just been evolved in the mind of a Pine Bluffian (not the writer of this letter) and I am passing it on with the hope it may be thoroughly considered and carefully studied by your readers. Abnormal conditions call for unusual remedies and I am hoping the layout will be presented to Congress with the urge that the Federal Government afford relief through these means:

1. Each county seat through the machinery of its post office employes would distribute to every needy person in such county, above the age of 15 years, $200 in a new self-redeeming currency. To obtain this currency an affidavit would be presented, attested by two reputable property owners in said county. The affidavit would stipulate that the beneficiary had actual need of the funds and the attestants would have to be satisfied of such need or else lay themselves liable to a severe penalty.

2. The currency could be used only in discharging obligations which indicated necessity or stress.

3. A fixed denomination of $5 would be indicated by each piece of currency. Before the beneficiary could begin circulation of his $5 he must affix a 10-cent stamp and endorse the back of the issue with his name and address, tallying with the name and address of records at the post office. The creditor to whom the beneficiary presents the $5 must follow the same procedure when he passes the currency on, except that for such purpose he does not have to record his own name and address at the post office. When the currency has thus passed through the hands of fifty-two people or concerns, it will bear fifty-two endorsements and fifty-two 10-cent stamps and will be subject to redemption at $5 in United States currency, silver, or gold. In the denomination of $5 it will have discharged $260 in obligations, a large proportion of which would otherwise remain unsatisfied. Each piece of currency would indicate a gross profit to the Government of 20 cents.

4. Assuming that each piece of currency would reach its ultimate goal in an average of 90 days, the Government would realize a gross of 16% for the service it has rendered. 16% should be ample for all overhead.

5. Until it carried the full stamp value of $5.20, the currency would not be negotiable at banking institutions. This condition would accelerate the speed with which it passed from creditor to creditor. Quite, obviously, it should not be regarded as superficial money as the Government would have the funds for redemption, from the sale of stamps, before the currency was presented.

6. Assume that 12 million families, averaging 3 members each, would qualify for this currency. One billion, four hundred and forty million pieces of currency would be issued, indicating a gross potential return to the government of $288,000,000. This should be ample for profit, administration, and all other overhead. Potential circulation would be seven billion, two hundred million dollars. Potentially, obligations to the extent of three hundred billion, four hundred million dollars would be discharged.

The difference between this set up and that of the Reconstruction Finance Corporation is too obvious for other comment than the mere statement that this would prove profitable and the Reconstruction Finance Corporation may indicate a tremendous loss.

The Reconstruction Finance Corporation was organized as a direct aid to Big Business with the thought that the masses would benefit through a process of filtration. It has failed to justify the hopes that were entertained for it. Self-redeeming currency would reach the masses direct. If any of your readers desire to discuss this matter with me I would like for them to enclose a self-addressed stamped envelope for reply. Suggestions and criticisms are invited.—TRACY MILLS, Pine Bluff, Ark.

Various currency plans of this kind have been proposed. One such, involving a 1 per cent per week stamp tax, has recently been submitted to President Hoover by Representative James A. Frear, Republican, of Wisconsin. The essential principle has been publicly endorsed by Professor Irving Fisher, economist of Yale University. The difficulty is that any kind of tampering with an established currency is of doubtful merit. Any medium that commands universal confidence would be suitable for currency. Under the above proposal a $5 bill would originate with an actual backing of 10 cents in present currency and would be fully secured only after some fifty persons had used it, each attaching a 10-cent stamp. It is certainly open to question whether such money would be readily accepted, especially since it would be far more complicated than existing money.

Another Currency Proposal

Editor, READERS' FORUM:

In your last issue, I read an article on currency reform, and am sending you one which I think is better.

First, one to five billions of dollars of new money should be printed.

Second, this money should be used to retire Government bonds by degrees, and with times as they are I think one billion of bonds could be retired at once, then the effects watched for a short time and more retired if necessary. *(Please turn to page 479)*

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
3. Write full name and address plainly, and enclose stamped, self-addressed envelope.
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

AMERICAN TOBACCO CO., "B"

I would appreciate your opinion on averaging down the cost on 200 shares of American Tobacco "B." These cost me around 95. In view of the exceptional earnings showing made during the first six months, the economies that are going into effect and the way in which sales have held up, it seems to me it might pay me to average down my cost in the very near future. I will greatly appreciate your advice at this time for in case I am wrong in my conclusions I want to know it.—G. A. B., New Haven, Conn.

Recent reports emanating from well informed sources indicate that sales of "Lucky Strike" cigarettes have followed a downward course in recent months, although the decline was reported to have been smaller than the 14% drop in consumption of all cigarettes in the United States registered during the five months ended May 31, 1932. Despite this decline, profits of American Tobacco Co. during the first half of 1932 were said to be in excess of those for the corresponding interval of last year. The profits increase was attributable to several interesting developments in the affairs of the company. The management of American Tobacco Co. anticipated the current decline of "Lucky Strike" sales, and some time ago initiated an aggressive advertising campaign to bolster the sales volume of its other products. Thus, we find that the volume of business in the "Bull Durham" division is running about 3½ times that of a year ago, while pipe tobacco sales have also registered an increase over last year. Consequently, the declining sales volume in "Lucky Strike" has been more or less neutralized by the increase in sales of other lines.

Also contributing to the profits increase during the first six months of 1932 have been lower tobacco prices, as well as reduced advertising costs. Of course, the increase in wholesale prices for cigarettes imposed by the leading producers during the second half of 1931 and maintained thus far during 1932, is a factor that also figures largely in the earnings expansion registered by the company during the initial six months of 1932. The fact that the company cannot fall back on this price difference during the second six months of this year, in addition to prospective lower sales volume of "Lucky Strike" during the second half, obviously will restrict earnings during that period. However, further operating economies are anticipated, and such earnings decline as may be witnessed during the balance of the year will doubtless be minimized. Such earnings curtailment has been amply discounted in current prices for its shares and in view of the more favorable longer term outlook, we see little cause disposing of present holdings at current deflated levels. On the contrary, periods of market weakness might well be taken advantage of to average present cost of holdings.

GENERAL BAKING CORP.

Can you tell me why General Baking Corp. is selling so low? At present levels it yields around 16%. Its earnings have held up exceptionally well. I have 110 shares purchased in 1931. Do you advise holding or would you sell and switch to another company.—A. K. M., Seattle, Wash.

For the 27 weeks ended July 2, 1932, General Baking Corp., reported net profits of $2,114,731 after interest, depreciation, Federal taxes, etc., equal, after allowing for dividends on the $8 preferred stock, to $1.11 a share on 1,588,697 shares of common stock outstanding. Net income for the 27 weeks ended July 4, 1931, amounted to $2,702,237 or $1.46 a share on a slightly larger number of shares outstanding. While admittedly, continuance of the downward course of earnings is somewhat disconcerting to holders of the common stock, a study of the competitive and fiscal position of the company should prove somewhat reassuring in judging the future prospects of the enterprise. Unlike many of its competitors, General Baking Corp. depends little upon cake or pie sales; approximately 90% of its business consisting of the sale of bread. In the more recent past, the company has carried on an aggressive advertising campaign which has not only placed its "Sunshine Vitamin D" bread on the map, but has strengthened the competitive position of "Bond Bread," its principle product. As a result of keen

(Please turn to page 475)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

Important To Subscribers

CHANGES OF ADDRESS

Subscribers are urged to notify us of change of address in order that no interruption in the sequence of issues occurs. To do this it is merely necessary to write us giving name, old address and new address. This notice should be sent three weeks before the change is to become effective.

Heretofore it has been the custom of some subscribers to rely upon the Post Office Department to notify publishers of changes in location. Under the new postal law, just enacted, such notices can still be sent, but magazine publishers will be obliged to pay a fee upon their receipt.

As a step toward eliminating this expense item and also to be sure that notices of removal are received in advance of actual changes, it is requested that subscribers co-operate by writing direct to this office.

THE PUBLISHER

New York Stock Exchange

RAILS

	1930		1931		1932		Last	Div'd
A	High	Low	High	Low	High	Low	Sale 7/27/32	$ Per Share
Atchison	242½	168	202⅜	79¼	94	17⅞	29¼	..
Do Pfd.	108¾	100	108¼	75	86	35	50¼	5
Atlantic Coast Line	175½	95¼	120	25	41½	9¾	16	..
B								
Baltimore & Ohio	122⅝	55⅜	87⅞	14	21⅜	3¾	8¼	..
Bangor & Aroostook	84½	50⅛	66¾	18	24½	9½	17½	2
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅜	31⅛	50¼	11⅛	22¼	..
Do Pfd.	98¾	83	94¼	63	78⅜	31½	53	6
C								
Canadian Pacific	52¼	35¼	45⅜	10¾	20⅝	7¼	13⅛	1¼
Chesapeake & Ohio	51⅜	32⅜	46½	23⅜	31½	9¾	13⅛	2½
C. M. St. Paul & Pacific	26⅜	4¼	8⅞	1⅛	3¼	¾	1½	..
Do Pfd.	46¼	7¾	15⅜	2½	5¼	1⅛	2	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	2	4	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	1½	4⅛	..
D								
Delaware & Hudson	181	130⅛	157¼	64	89½	32	48	9
Delaware, Lack. & Western	153	69½	102	17¾	28¾	8½	13¼	..
E								
Erie R. R.	63¾	22⅛	39¾	5	10	2	4¼	..
Do 1st Pfd.	67⅜	27	45½	6⅜	13½	2⅝	5	..
Do 2nd Pfd.	62½	26	40½	5	9½	2	3¾	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	5½	9½	..
H								
Hudson & Manhattan	53⅜	34⅞	44⅛	26¼	30¾	8	†15	3½
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	4¾	8½	..
Interborough Rapid Transit	39½	20⅜	34	4⅝	14⅝	2¼	6	..
K								
Kansas City Southern	85⅜	34	45	6⅞	13¼	2¼	†5	..
Do Pfd.	70	53	64	15	23¾	5	†10	2
L								
Lehigh Valley	84⅞	40	61	8	18	5	8½	..
Louisville & Nashville	138½	84	111	20¼	32⅜	7½	13¾	..
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	1¼	3⅜	..
Do Pfd.	108⅜	60	85	10½	21⅞	3¼	8⅜	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	1⅛	2⅝	..
Do Pfd.	145½	79	107	12	26	2½	5⅜	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	8¾	14⅜	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	1⅛	4½	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	6	10⅛	..
Norfolk & Western	265	181½	217	105⅝	135	57	70¼	8
Northern Pacific	97	42⅜	60⅞	14½	23¼	5½	11¼	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	6½	10⅛	..
Pere Marquette	164½	76½	85	4	13	1¾	†4	..
Pittsburgh & W. Va.	121¾	48½	86	11	15	8	†7	..
R								
Reading	141½	73	97½	30	42	9½	21	1
Do 1st Pfd.	50½	44⅛	46	28	33	15	22	2
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	⅝	1½	..
St. Louis-Southwestern	76¾	18	33½	4¼	11½	3	5	..
Southern Pacific	127	88	109½	26½	37⅝	6½	10⅛	..
Southern Railway	136¾	46½	65⅞	6⅜	13	2½	4¾	..
Do Pfd.	101	76	83	10	20½	3	6½	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	27⅞	41¾	6
Do Pfd.	88⅜	82¼	87	51	68	40	52½	4
W								
Western Maryland	36	10	19⅝	5	7¾	1⅛	4¼	..
Do 2nd Pfd.	38	11¼	20	5	8⅛	2	†3	..
Western Pacific	30½	7½	14⅞	1¾	4	½	†1½	..
Do Pfd.	53½	23	31⅝	3	6⅝	¾	†2¼	..

INDUSTRIALS and MISCELLANEOUS

	1930		1931		1932		Last	Div'd
A	High	Low	High	Low	High	Low	Sale 7/27/32	$ Per Share
Adams Express	37⅝	14¼	23½	3⅛	5¾	1⅝	3	..
Air Reduction, Inc.	156⅝	87½	109¾	47⅝	62½	30⅞	39¼	*4½
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅛	⅝	1	..
Allied Chemical & Dye	343	170¼	182¾	64	87½	42½	52½	6
Allis Chalmers Mfg.	68	31¼	42¾	10½	13⅝	4	6½	..
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	15½	6½	9	.60
American Can	156½	104⅝	129¾	58⅛	73⅞	29⅝	37¼	*5
Amer. Car & Fdy	82½	24½	38¾	4½	8¾	3⅛	6½	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	9¼	2	4	..
American Ice	41⅞	24½	31⅝	10⅛	21⅝	8	8⅝	2
Amer. International Corp	55⅜	16	26	5	8½	2½	4⅞	..
Amer. Mchy. & Fdry.	45	29¾	43¾	16	22¼	7½	10¾	.80
Amer. Power & Light	119⅝	36⅛	64⅞	11⅝	16⅞	3	6⅜	1
Amer. Radiator & S. S.	39¾	15	21½	5	8½	3⅛	5¼	..
Amer. Rolling Mill	100⅞	26	37⅝	7⅝	13	3	6⅜	..
Amer. Smelting & Refining	79½	37½	58⅛	7½	18⅝	5⅛	9½	..
Amer. Steel Foundries	52¼	23½	31¼	5	8⅜	3	5⅜	..
American Stores	55½	36½	48¼	33	36¾	20	†26	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	13	21⅞	2
Amer. Tel. & Tel.	274¼	170⅜	201¾	112½	137⅜	70¼	88½	9
Amer. Tobacco Com.	127	98½	128¾	60½	86¾	40½	61	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	34½	11	16	2
Anaconda Copper Mining	81¼	25	43¼	9¼	12⅜	3	5	..
Assoc. Dry Goods	50½	19	29⅝	5¾	8¼	3	†3½	..
Atlantic, Gulf & W. I. S. S. Line	80⅜	33	39	10	10⅛	6	†5½	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/27/32	Share
A								
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	16¼	8⅝	15½	1
Auburn Auto	263¾	60⅝	295½	84½	151¾	28¾	57⅞	4
B								
Baldwin Loco. Works	38	19⅝	27⅞	4⅝	8½	2	4½	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	5⅞	3⅜	5½	..
Beech-Nut Packing	70⅛	46¾	62	37½	44¾	29¼	†36	3
Bendix Aviation	57⅜	14¼	25½	12⅝	18¾	4½	6½	..
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	5¾	9¼	..
Bethlehem Steel Corp	110¼	47⅞	70⅜	17¼	24⅜	7¼	13¼	..
Bohn Aluminum	69	15¾	43	15½	22¼	4⅞	8⅞	..
Borden Company	90⅜	60⅛	76½	35⅛	43⅛	20	26⅞	2
Borg Warner	50½	15	30¾	9	12⅝	3⅜	5½	..
Briggs Mfg.	25⅜	12⅛	22¾	7⅛	11¾	2⅞	4¼	..
Burroughs Adding Mach	51⅞	18⅜	32¼	10	13	6¼	8⅛	.80
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	19	7	11⅝	..
C								
California Packing	77½	41¼	53	8	11⅞	4¼	7	..
Calumet & Hecla	33⅜	7¾	11⅜	3	4	1½	2⅝	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅝	13½	6	11¼	1.20
Case, J. I.	362¾	83½	131⅛	33¼	43⅜	16¾	29¾	..
Caterpillar Tractor	79¾	22	52½	10¼	15	4⅜	7¾	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	3½	6½	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20⅝	4⅞	7¾	2
Childs Co.	67⅝	22⅞	33¾	5⅛	7½	1½	†1⅝	..
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	5	8⅜	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	74⅛	82½	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	11	12¾	1
Columbian Carbon	199	65⅛	111⅝	32	41⅞	13½	22	2
Colum. Gas & Elec.	87	30⅝	45⅝	11⅝	16⅛	4¼	8¾	1
Commercial Credit	40¾	15½	23¼	8	11	3⅞	5	.50
Commercial Solvents	38	14	21½	6⅝	10¼	3½	7⅛	.60
Commonwealth & Southern	20½	7½	12	3	4⅞	1⅝	2¼	..
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	31½	44¼	4
Continental Baking Cl. A	52½	16¾	30	4½	7	2⅞	4¾	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	41	17⅝	24⅜	2
Continental Oil	30½	7¾	12	5	7	3⅝	6⅛	..
Corn Products Refining	111⅜	65	86⅝	36¼	47⅜	24¾	34	3
Crucible Steel of Amer.	93⅝	50⅛	63	20	23¼	6	10	..
Cudahy Packing	48	38⅛	48⅞	29	35½	20	28	2½
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	⅞	1⅛	..
D								
Davison Chemical	43⅝	10	23	3½	5¼	1	2⅞	..
Diamond Match	24⅞	10	23	10⅝	15⅞	12	15¾	1
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	23	32¾	4
Du Pont de Nemours	145¼	80⅛	107	50¾	59¾	22	26⅛	3
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	35¼	42⅛	5
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	8	3	4¼	..
Electric Auto Lite	114⅞	33	74⅜	20	32¾	8½	13	1.20
Elec. Power & Light	108½	34⅜	60¾	9	15⅜	2¾	4⅞	..
Elect. Storage Battery	79¼	47½	66	23	33¼	12⅝	22¼	3
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	36⅛	16	23½	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	15⅜	10⅛	11⅛	1
First National Stores	61⅜	33⅝	63	41	53	35	43	2½
Foster Wheeler	104½	37½	64½	8	12	3	8½	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅜	1	2	..
Freeport Texas Co.	55½	24½	43¼	13¼	19½	10	16½	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	9½	13½	1
General Asphalt	71⅛	22⅜	47	9⅝	15½	4¾	9	1
General Electric	95⅜	41½	54¾	22⅞	26⅛	8½	13⅜	.40
General Foods	61¼	44⅜	56	28¼	40½	19⅝	24	2
General Mills	59⅛	40⅛	50	29⅛	37	28	35¾	3
General Motors Corp	54¼	31½	48	21⅜	24⅝	7⅝	9¼	1
General Railway Signal	106⅞	56	84⅛	21	28⅝	6⅛	11⅜	1
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅜	16⅞	1
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅝	8¼	14¼	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	2¼	4	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	18¾	5⅛	12	..
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	7¾	2⅜	3½	..
Grand Union	20⅝	10	18⅞	7	9¾	3½	5⅛	..
Gulf States Steel	80	15	37½	4	8	2½	4¼	..
H								
Hershey Chocolate	109	70	103¾	68	83	43½	49½	6
Houston Oil of Texas (New)	‡116⅞	‡29¼	14	3	5⅛	1⅝	2⅞	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	2⅞	5¾	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	1½	2¼	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	52½	71	6
Inter. Cement	75¾	49½	62½	16	18¾	3⅝	9	..
Inter. Harvester	115¾	45¼	60½	22⅝	29¾	10⅜	16¼	1.80
Inter. Nickel	44⅜	12¾	20⅛	7	9¼	3½	5¾	..
Inter. Tel. & Tel.	77⅜	17½	38¾	7⅛	12¼	2⅝	5¾	..
J								
Johns-Manville	148⅜	48¾	80¾	15⅝	25½	10	13¼	..
K								
Kelvinator	26⅝	7⅜	15½	6	10⅜	2¾	4	..
Kennecott Copper	62¾	20⅛	31½	9⅝	13	4⅞	7	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	6⅝	8⅝	1
Kreuger & Toll	35⅜	20⅜	27¾	4⅞	9⅛	$\frac{1}{32}$	⅛	..
Kroger Grocery & Baking	48⅛	17⅛	35⅛	12½	18⅞	10	13¾	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	25	33¼	*5
Lehn & Fink	36	21	34¾	18½	24¼	6	13¾	2
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	59⅞	32¼	49½	5
Liquid Carbonic	81⅞	39	55⅛	13⅛	22	9	13	1
Loew's Inc.	95¾	41¾	63½	23⅞	34	13¼	20⅞	*4
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	16⅛	22¼	2
Lorillard	28⅛	8¾	21⅞	10	16⅞	9	14⅜	1.20

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New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/27/32	Share
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	18⅛	10	15½	1
Macy (R. H.)	159¼	81⅝	106¼	50	60⅛	17	27⅞	2
Marine Midland	32½	17⅜	24¼	9¼	12¼	6½	7½	.80
Mathieson Alkali	51⅜	30⅛	31½	12	20⅞	9	12⅞	1½
May Dept. Stores	61⅜	27¾	39	15⅝	20	9½	11⅞	1.80
McKeesport Tin Plate	89½	61	103½	38⅛	62¼	28	35¾	4
Mont. Ward & Co	49⅞	15⅛	29¼	6⅝	11¼	3½	7¼	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19⅛	8	10½	1
National Biscuit	93	68⅝	83¾	36⅜	46⅞	20¼	30⅝	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	14⅜	6½	9	..
National Dairy Prod.	62	35	50¾	20	31⅜	14⅜	18⅝	2.60
National Power & Light	58¾	30	44¼	10¼	16⅜	6⅝	10⅛	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	2½	3½	..
North Amer. Aviation	15⅝	4¼	11	2⅞	4¼	1¼	2¼	..
North American Co.	132⅞	57¼	90¼	26	40	13¾	19⅞	§10%
O								
Ohio Oil	34⅛	16	19½	5⅛	9⅛	5	8¾	.20
Otis Elevator	80⅜	43¼	58½	16⅛	22½	9	12	1½
Otis Steel	38⅞	9½	16⅝	3½	4⅜	1¼	2	..
P								
Pacific Gas & Electric	74⅞	40½	54⅞	29⅜	37	16⅞	23⅝	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	1½	2⅛	..
Paramount Publix	77¼	34¾	50¼	5½	11½	1½	2⅞	..
Penney (J. C.)	80	27⅝	44¾	26¾	34½	13	17¾	2.40
Phelps Dodge Corp.	44⅜	19¾	25⅝	5⅞	8½	3⅞	5	..
Phillips Petroleum	44¾	11⅛	16⅝	4	6½	2	6⅛	..
Prairie Pipe Line	60	16⅝	26½	5⅞	11	5½	10½	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	19⅞	25¼	2
Public Service of N. J.	123¾	65	96½	49⅞	60	28	37½	3.20
Pullman, Inc.	89⅜	47	58½	15¼	25	10½	16⅛	3
Pure Oil	27¼	7⅝	11⅞	3⅞	5¾	2⅞	5½	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	4⅜	7¼	1
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	10⅝	2⅛	5½	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7	1⅛	3	..
Remington-Rand	46½	14⅛	19¾	1⅞	3⅜	1	2⅛	..
Republic Steel	79½	10½	25¾	4⅛	6½	1⅞	4	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32⅛	40¼	26½	30½	3
Royal Dutch	56⅛	36⅞	42⅝	13	23	12⅛	17⅝	.80½
S								
Safeway Stores	122⅜	38¾	69½	38⅝	59¼	30⅛	39⅛	5
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30¼	37⅜	9⅞	15⅜	..
Servel, Inc.	13½	3⅛	11¾	3½	5⅜	1⅛	2¼	..
Shell Union Oil	25½	5¼	10¼	2½	5	2½	4⅞	..
Simmons Co.	94⅞	11	23¾	6⅞	10½	2¾	6⅛	..
Socony-Vacuum Corp.	..	..	21	8⅜	10¾	5¼	10	.80
So. Cal. Edison	72	40⅛	54½	28⅜	32¾	15¾	21⅞	2
Standard Brands	29¼	14⅛	20½	10½	14	8⅜	12¾	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	34¼	7⅝	12½	2
Standard Oil of Calif.	75	42¼	51¾	23⅛	27¼	15⅛	24¼	2
Standard Oil of N. J.	84⅞	43⅛	52½	26	31½	19⅞	29	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	6⅝	1⅞	2⅞	..
Stone & Webster	113⅜	37½	54½	9⅞	15⅛	4⅝	7⅛	..
Studebaker Corp.	47¼	18⅛	26	9	13¼	2½	4¾	..
T								
Texas Corp.	60½	28¼	36¼	9⅞	14⅛	9¼	13⅞	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	12	17½	2
Texas Pac. Land Tr.	32¾	10	17⅝	4¼	6½	2½	4¾	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3½	2	3¼	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	7¾	13	1½
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	23½	7⅜	11⅜	1
Union Carbide & Carbon	106⅜	52½	72	27⅞	36⅜	15½	18⅞	1.20
Union Oil of Cal.	50	20⅛	26⅝	11	13⅞	8	11⅜	1
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	16⅞	6½	11⅜	..
United Carbon	84	14⅜	28¾	6⅛	14	6⅝	9¼	..
United Corp.	52	13⅞	31¼	7⅛	10⅛	3½	6¼	.40
United Fruit	105	46½	67¾	17⅛	30½	10¼	23¼	2
United Gas Imp.	49⅜	24¼	37½	15⅜	21¾	9¼	15¼	1.20
U. S. Industrial Alcohol	139⅜	50½	77⅜	20⅜	31⅛	13¼	19	..
U. S. Pipe & Fdy.	38¼	18⅛	37⅛	10	15⅛	7¼	8¾	2
U. S. Realty	75⅛	25	36¾	5⅛	8⅛	2	3⅛	..
U. S. Rubber	35	11	20⅜	3⅛	5⅜	1¼	4	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	12⅜	19⅞	10	13⅛	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	52⅝	21¼	27⅞	..
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	1⅛	3⅛	..
V								
Vanadium Corp.	143¼	44⅜	76¾	11	18⅞	5¼	10⅜	..
W								
Warren Bros.	65⅜	26⅜	46⅜	3¾	7	1¼	4⅜	..
Warner Brothers Pictures	80¼	9⅜	20⅜	2⅛	4⅜	½	1⅜	..
Western Union Tel.	210¾	122⅛	150¾	38½	50	12⅜	18⅞	..
Westinghouse Air Brake	52	31¼	36⅛	11	17¼	9¼	11⅜	1
Westinghouse Elec. & Mfg.	201½	88⅛	107¾	22½	35⅞	15⅝	22	..
White Motor	43	21⅝	26¼	7⅜	12	6⅞	9½	..
Woolworth Co. (F. W.)	70⅜	51⅛	72¾	35	45⅝	22	30⅜	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	23⅜	5	14	..
Wrigley (W. Jr.)	81	65	80⅜	46	57	25¼	32¾	3

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Answers to Inquiries

(Continued from page 471)

competition in several of the communities served by General Baking Corp., some price reductions have been necessary. Moreover, present indications are that this state of affairs likely will continue during early ensuing months, at least. The question therefore arises as to the ability of General Baking to meet this competition. Despite the vicissitudes existing in 1931, the company was able to report a substantially improved financial position at the year-end. Funded debt was reduced by $1,000,000 and a sufficient amount of its own bonds is now being held in the treasury for the 1933 sinking fund call. Cash was increased during the year, while inventories were reduced. Total current assets, including $5,086,390 of cash, amounted to $7,321,522 at the year-end, against total current liabilities of $2,209,641 leaving net working capital of $5,111,881. There is ample reason to believe that this strong condition has been maintained thus far during the current year, and that the company is in a favorable position to cope with current adversities in a satisfactory manner. Current annual dividend rate of $2 a share appears reasonably secure for the balance of the year, although rate of distribution thereafter will depend solely upon conditions existing at that time. We regard General Baking common as speculative, but are inclined to counsel continued representation in the shares as opposed to a sacrifice sale at current deflated levels.

FIRST NATIONAL STORES, INC.

My broker has recommended the purchase of First National Stores common at current prices as a conservative medium for representation in the chain store industry. I am not entirely familiar with the workings of this enterprise, and would appreciate a report relative to the financial condition of the company, its future prospects, and your opinion as to the advisability of a commitment in the stock.—J. N. L., Trenton, N. J.

First National Stores, Inc., is one of the very select enterprises that reported record-breaking profits for the year just closed. The accomplishment of this fete in the face of declining commodity prices, lower dollar sales volume and generally adverse business conditions, places the enterprise in an enviable competitive position among grocery chains. During the 12 months ended April 2, 1932, sales volume, on a tonnage basis, increased approximately 13½%, which largely offset the decline in retail prices of 16% during the year. As of the above date, the company had in operation 2,205 grocery stores, and 341 markets or combination grocery and meat stores, the aggregate comparing with 2,545 units in operation on March 28, 1931. First National further strengthened its position by the acquisition last month of the Cloverdale Co., which operated 277 stores and markets in Maine, New Hampshire, Vermont and Massachusetts. Operating economies effected during the year played a larged part in the highly gratifying earnings report published by the company. For the fiscal year ended April 2, last, net profits amounted to $4,825,611 equal, after preferred dividends, to $5.52 a share on 811,799 common shares outstanding. In preceding fiscal year, net earnings amounted to $4,479,108 or $5.06 a share on 815,799 shares after allowing for preferred dividend requirements. During the course of the year, the company purchased in the open market, $555,000 of its first mortgage bonds and retired $572,000, thus reducing the funded debt of the company to $928,000. In addition, 2,355 shares of the company's 7% preferred stock were purchased, and are now being held in the treasury, awaiting further disposition. Despite these cash outlays, the current position at the close of last year revealed material improvement over that of a year earlier. Current assets, including cash and U. S. Government securities of $4,770,567 amounted to $13,794,249 against total current liabilities of only $4,276,020. Comparative figures at the close of the preceding fiscal year were cash and Government securities of $3,469,948, current assets $13,442,235 and total current liabilities of $4,434,624. Net working capital at the close of last year amounted to $9,518,229 against $9,007,611 on March 28, 1931. The common stock of the company represents a conservative medium for investment in the grocery chain store field, although purchases should be guided by the policies set forth in the market article featured elsewhere in the columns of THE MAGAZINE OF WALL STREET.

INTERNATIONAL CEMENT

Would you please favor me with a discussion of International Cement? I am a contractor and have always regarded the company as the best in the industry. I have two hundred shares purchased at various prices, considerably above present quotations.—M. F. B., Philadelphia, Pa.

The sharp recession in the rate of building activity superimposed upon declining prices for cement, has been responsible for the sharp contraction in the earnings of International Cement. In the early stages of the depression, the company was successful in maintaining earnings at a comparatively satisfactory level. In 1931, however, a precipitous decline occurred, and net income, equal to $2.17 per share on the 627,050 shares of capital stock outstanding, was 60% below the showing in 1930, when per share earnings amounted to $7.19. The downward trend in earnings has continued in the current year, and in the initial quarter, a loss of $409,713 or 65 cents a share was incurred. The shares were formerly on a $4 annual basis, but dividends have been reduced by successive stages until last May when no action was taken on the regular quarterly payment. Given the benefit of more stabilized prices, it is probable that results in the remaining quarters of the current year may show up to somewhat better effect, but we can foresee no substantial betterment in the company's earnings so long as the present business depression curtails industrial and private building activities. While public construction undertaken to relieve unemployment may have a sustaining effect upon the demand for the company's products, the shares will continue to reflect in their market action the unpromising prospect for the resumption of dividends for some time to come. Under the circumstances, the sole basis for remaining identified with the situation is provided by the leading position occupied by the company in its field and its strong financial position, factors which will provide a desirable bulwark pending more prosperous times.

Strength Maintained in Depression

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$5,833,779. The June 30 surplus and undivided profits of $70,119,468 compares with $84,117,707 at the close of 1929. Bearing in mind the bank's known conservatism in accounting, this relatively small shrinkage indicates that it has come through the depression period in excellent shape. Deposits total $530,773,953. Book value as of June 30 was $86.78 per share. The annual dividend is $7, yielding 7.5 per cent at the recent price of $93. The fact that the issue sells slightly above book value, whereas the average bank stock sells well under book value, may be taken as indicative of superior market standing.

Bankers Trust, "a Morgan bank," was organized only twenty-eight years ago and experienced a remarkable growth. Between 1919 and 1929, for example, deposits increased from approximately $332,000,000 to $606,000,000, surplus and undivided profits increased from $18,000,000 to $82,000,000 and indicated annual earnings increased from $4,800,000 to $12,700,000. Its activities include commercial banking, corporate and personal trusts and the distribution of securities, both wholesale and retail. The latter business, formerly handled by a securities affiliate, is now conducted by the institution's bond department.

This institution is regarded as one of the strongest and most capable in the country. It is one of the very few banks which has increased its total capital funds in the half-year, the total being $101,847,848 on June 30, as compared with $100,020,337 at the close of 1931. Before dividend payments of $3,750,000 the increase in surplus for the period was $5,577,477. Since 1929 surplus and undivided profits have declined from $82,631,388 to $76,847,848, an excellent showing in a period of unprecedented depression. Deposits total $546,614,377. The dividend is $3, yielding 6.3 per cent at the recent price of 47. Book value as of June 30 was $40.74 per share.

The Chemical Bank & Trust Co., with deposits of $275,688,127, is much smaller than either Central Hanover or Bankers Trust, but is a compact, ultra-conservative and highly efficient organization. It shares with Bankers Trust the distinction of having increased its total capital funds during the trying six months' period recently ended, the total standing at $66,260,562 on June 30, against $65,758,832 at the close of 1931, despite payment of dividends of $1,890,000 during this period. Moreover, during the eighteen months between December 31, 1930, and June 30, 1932—taking in the most acute phase of the depression—Chemical's surplus and undivided profits increased from $43,425,968 to $45,260,562. This institution, which started in 1822 as a chemical manufacturing company and became a bank two years later, does a well-rounded commercial and trust business. It is one of the most liquid of banks, its quick assets being estimated at approximately 98 per cent of deposits. Book value is $31.31 per share. The dividend of $1.80 yields 6.2 per cent at the prevailing price of 29.

The Irving Trust Company, with deposits of $385,387,510, is a close match for Chemical in the conservatism of the policy that has been followed throughout this depression. Its total capital funds of $125,137,163 on June 30 compares with $125,506,711 at the close of 1931. Before dividend payments of $4,000,000 in this period there was an actual gain of $3,630,452 in surplus. As evidence of conservative management, surplus and undivided profits since December 31, 1929, have declined only from $83,740,994 to $75,137,163. The bank's commercial and trust activities effectively complement each other. It has the added and profitable advantage of handling all Federal receivership in this district. Book value of the stock is $25.03 per share. The dividend of $1.60 yields 10 per cent at the recent price of 16.

Our Stake in Chile

(*Continued from page* 460)

control and distribution through the army of all foodstuffs and announces state monopolies for oil, matches, tobacco, sugar, alcohol and foreign trade. Socialization of credits with an intermediate moratorium on all private indebtedness is in progress.

Until next October, when a new constitutional assembly is due to meet, it is uncertain whether those industries in which we are largely interested will be taken over by the state. It seems certain that the American controlled nitrate industry, in which the government is already a partner most certainly will be, but control of utilities and copper mines is in doubt.

In the casual manner in which governments are overthrown in Latin America, it is, of course, entirely possible that the socialist forces may be out of power before nationalization of industries affecting American interests goes to any great lengths, but meanwhile the situation will bear close watching by investors in this country.

Has Tampering with Currency Base Depreciated Money Value?

(*Continued from page* 446)

balancing. The noble and painful gesture of reducing outgo and increasing income has been made. The ultimate effect on the dollar cannot but be favorable, unless some new calamity is just around the corner.

Finally, we must recognize the fact that even leaving Reconstruction Finance Corporation potential future obligations out of the picture the past fiscal year saw the public debt skyrocket to the extent of three billion dollars, it being on June 30, something over 19 billion dollars. That is a big additional load on the Government's credit, and may be reflected finally in confidence in the dollar. It all depends on what is behind the curtain of the future.

The hoarding menace is what the courts would call an act of God rather than of governments. It is part of the incidence of economic fear. Doubtless Congressional procrastination in cutting appropriations and expenditures and the penchant of the lower house for economic buffoonery whipped up hoarding at times. But at other times congressional action checked it. Largely due to hoarding, the amount of money in so-called circulation has been increased to 5,735 million dollars, a gain in twelve months of 940 million, as the accompanying graph shows. Total reserve bank credit has increased by 1,500 million, Federal Reserve notes in circulation have gained by 1,100 million, and the monetary gold stock has gone down by a billion. All this looks like theoretical impairment of the dollar, and it has the net result of lowering the reserves behind notes and deposits by almost thirty points. Nevertheless the gold reserves, despite the liberalizing legislation, hoarding and exports are almost a billion dollars in excess of the legal requirements.

The general conclusion is that backing of the dollar has been reduced by the events, within and without the control of the government, that have transpired since last September. But the prediction is made that the reduction will be offset by the broader powers of the Federal Reserve, by the improvement in the public psychology which has resulted from some of the acts which have curtailed the direct support of the dollar. A saving clause must be put in as regards the national bank issue provision. But that is tomorrow's worry, and like other worries it may never come.

Anaconda Copper Mining Co.

(Continued from page 466)

that if demand could justify the pressure, Chile Copper could turn out 700,000,000 pounds of copper a year at an annual cost of approximately 4 cents a pound. Then there is the Andes Copper Co. and the Greene Cananea Copper Co. both of which Anaconda controls and on which it has expended large sums of money. Is there any wonder that Anaconda opposes a tariff which hinders it receiving a return from the capital it has invested abroad?

Furthermore, to add insult to injury, Anaconda in addition to being the world's largest producer of copper is also the world's largest fabricator of the metal. Its plants are located in this country and should the tariff become effective it means that the company would have to buy a tremendous quantity of copper at a price higher than the world price, while at the same time possessing ample producing facilities abroad which were bearing the full brunt of world competition.

In 1928, the year prior to the depression, the American Brass Co., an Anaconda subsidiary turned out more than 778,000,000 pounds of manufactured products. Anaconda's own Great Falls mill in Montana rolled more than 164,000,000 pounds of copper into rods, bars, wire, etc. Allowing for the zinc and other metals used by the American Brass Co. we arrive at the conclusion that Anaconda fabricated some 825,000,000 pounds of copper in a year when domestic consumption was but 1,896,000,000 pounds, or more than 43% of the total.

It is not, however, quite certain that Anaconda will allow its producing facilities abroad to languish while it buys high priced copper from others to feed its mills. Suppose it were to say to domestic producers "you have succeeded in bringing about this unjustifiable tariff but I, as the greatest user of copper, refuse to be bludgeoned into submission. I will bring copper from abroad, just as if no tariff existed and you will receive no benefit whatsoever." What is there to be said for and against this move?

Remember that for the tariff to be effective consumption must increase phenomenally. This means that at least part of the necessary pressure could be brought to bear upon the Chile Copper Co. to produce at 4 cents a pound. As the tariff is 4 cents a pound, this means that Anaconda could place her own copper in the country at a cost between 8 and 9 cents a pound. The eleven or so companies which sought the tariff represent only some 35% of even our domestic production. They are for the most part high-cost producers whose continued existence under present conditions is economically unjustified. Indeed, not a few of them would undoubtedly have to perform miracles to bring their costs to a point where they could compete with Anaconda's tariff-paid copper.

To some extent therefore it would seem that Anaconda could refuse to subsidize inefficiency. Unfortunately, however, there is another point to be taken into consideration. While normally a dominating factor in the industry such as Anaconda could afford some small expense in showing others the error of their ways, so severe have been the effects of depression upon those for whom copper is the means of life that even this giant can stand but comparatively little further strain.

This is shown in a number of ways. The company sustained a deficit last year and so far during the current year there are no indications of any money having been made. This is the same company which paid, and earned with a margin to spare, dividends on its common stock of more than $53,000,000 for the year 1929. It is the same company which had until recently an uninterrupted dividend record, except for the years 1921 and 1922, going back to the beginning of the present century.

Anaconda's lack of current earning power, however, is probably much less serious than the company's current inventory position. It has already been seen that the total stocks of copper in the United States are truly mountainous in comparison with present consumption—at least two years' supply. Well, it seems that Anaconda is carrying at least a fair share of them.

According to the latest financial statement dated December 31, 1931, the company carried inventories of manufactured products on hand and in process at nearly $65,000,000, at the then current market prices. This was some $4,000,000 less than a year previous and $20,000,000 below stocks at the end of 1929, but still considerably above the average for the 1924 to 1928 period. In volume, of course, the latest inventories were undoubtedly greatly in excess of any previously carried because of the decline in price.

In connection with the most recent inventory it is impossible to disregard another balance sheet item of similar proportions, notably notes payable of $61,500,000. Now if it is true that total United States stocks of copper have increased materially since the first of the year, is it not reasonable to assume that those of Anaconda in particular have increased? And if Anaconda's stocks of metal have increased, in consideration of the fact that the company had but slightly in excess of $6,000,000 in cash on hand at the end of last year, it may reasonably be assumed that its bank loans have increased too. Moreover, there is the further drop in copper prices which has taken place since the first of the year. This has been around 2 cents a pound and represents a decline of nearly 30% in value over the last six months.

Are the bankers beginning to worry about their money? Perhaps. And if this be so, it would seem that Anaconda is not only faced with the difficulty of maintaining a predominant position in the industry under the altered conditions which prevail, but will have a hard time keeping financially afloat. It is of course obvious that $60,000,000 or so worth of copper under present conditions is a far from liquid asset and Anaconda would undoubtedly give a great deal to be definitely freed from the threat of banking pressure. In view of this the company seems likely to set itself to saving nickels with all the power at its command and might possibly consider it the best policy to allow the tariff protected interests their way for the moment, on the assumption that the tariff has little chance of becoming effective within the time limit set by the present law.

There are other aspects of the latest import levy which have not yet been mentioned. Our refinery business is tremendous. Heretofore foreigners have shipped their ores to us, we refined them for their account, and profited handsomely in doing it. They cannot of course continue to do this in the face of an effective tariff and the German and British refineries may be expected to gain at our expense.

Then there is our export business in fabricated copper products. Germany is already demanding a tariff on copper manufactures from this country. England might well place a practical embargo upon American copper just the moment she is independent of our supplies to do so. Indeed, it might well be said that American capital which has for so long dominated the world copper industry is trying to sacrifice that position for the extremely doubtful benefits of better control of the home market.

There are already indications of the way the wind is blowing. Copper Exporters, Inc., the American organized agency for copper producers selling abroad, has just lost a number of important members. Among them are the International Nickel Co., Cerro de Pasco Copper Corp. and Chile Copper, Anaconda's subsidiary. Further withdrawals are likely to break up the organization entirely. There might even

New York Curb Exchange

IMPORTANT ISSUES
Quotations as of Recent Date

Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price
Alum. Co. of Amer.	61⅞	22	41¼
Alum. Co. of Amer. Pfd. (3)	67¾	33½	44
Aluminum, Ltd.	22	3¾	15
Amer. Cit. P. & L. B	3	⅝	1⅝
Amer. Cyanamid B	5⅝	1⅝	3½
Amer. & Foreign Pwr. War.	5	1⅛	2
Amer. Laun. Mach. (1.20)	17	8½	10
Amer. Gas & Elec. (1)	39⅞	14½	21½
Amer. Lt. & Traction (2½)	24	10	16
Amer. Superpower	4¾	1⅛	2⅝
Assoc. Gas Elec. "A" (Stk. 5%)	4¾	⅝	1⅛
Brazil T. L. & P. (8%) Stk.	13⅜	7	8⅝
Central States El.	2⅝	⅛	1⅛
Cities Service	6⅞	1¼	4
Cities Service Pfd.	53⅞	10	20
Cleveland Elec. Illum. (1.60)	30	19	24
Commonwealth Edison (5)	122	49½	62
Commonwealth & So. War.	¾	1/16	¼
Consol. Gas Balt. (3.60)	69½	37¼	51
Cord Corp.	8½	2	2¾
Deere & Co.	14⅞	3½	7⅞
Duke Power (5)	73½	31	40½
Elec. Bond & Share (6% stk.)	32⅞	5	9½
Elec. Bond & Share Pfd. (5)	54	16½	26
Fajardo Sugar	35	9½	35
Ford Motor, Can. A	15	5	6¾
Glen Alden Coal	22½	6	10
Goldman Sachs T.	3½	1	1⅝
Gt. A. & P. Tea n.-v. (6½)	150	103¼	121
Gulf Oil of Pa.	35⅞	23	32½
Hecla Mining	5⅛	2	3
Hygrade Food Prod.	4	1¾	3⅝
Lone Star Gas (.64)	9¼	3⅝	5¾
Nat. Sugar N. J. (2)	23½	10	19
Newmont Mining	14½	4⅝	9½
New York Steam (2.60)	55	28	32⅝
Niagara Hudson Pwr. (New)	14¼	7⅞	11⅛
N. J. Zinc (2)	31	14½	31
Penroad Corp.	3¾	1	2
Safety Car L. & H.	31½	12¾	15¾
Salt Creek Prod. (1)	4¼	2⅞	4¼
St. Regis Paper	5⅝	1⅛	2½
Standard Oil of Ind. (1)	22⅛	13⅛	21⅞
Standard Oil of Ky. (1.20)	15⅞	8⅞	12¼
Swift & Co. (1)	18⅞	7	11⅞
Swift Int'l (4)	26	10	18¾
United Founders	2⅛	5/16	1⅛
United Lt. & Pow. A	8¾	1¾	3¼
United Gas Corp.	2⅝	⅝	1¼

be another organization of foreign producers along the same lines which, having been shut out of our market, might easily make it extraordinarily difficult for us to do business abroad.

That Anaconda is alive to the danger contained in the disintegration of Copper Exporters, Inc., is shown by the recent efforts to cement the cordial relationship existing with the Belgium interests controlling the Katanga mines in Africa. In this way it might still be possible to have the world marketing of copper on a more or less co-operative basis, particularly if other interests would enter the new combine.

But what actually will take place and how Anaconda will really meet the changed conditions only time of course will tell. But find some solution it must, or see its own foreign sources of supply dwindle in value, see an export business in manufactured copper hurt by retaliatory measures abroad, and see a predominant world position built up by years of hard work sacrificed.

This Year's Crop May Bring Business Turn

(*Continued from page* 444)

billion in the past decade. In fact, the farm income is back to the averages of thirty years ago. But what the farmer buys has not fallen with his gross income. His income is down at least 50 per cent and his buying prices are still higher than they were in 1914. He is caught in the scissors. That is why although farmers still eat comfortably they have become economic zeros. Here is the appalling fact that results: Agriculture — American agriculture— had no net income in 1930. In 1931 it had a net loss. It must revive or perish.

It may be that the realization that agriculture is deflated to the *n*th degree and beyond, whatever the stage of deflation elsewhere, has turned the eyes of the forecasting world to it from the urban industries. Whatever has, in the price sense, already hit the ultimate and impenetrable bottom obviously is open to an ascent before commodities that have room for further plunge. Manufactured products are out of line with farm products and raw materials. There is room for them at the bottom. The speculative sixth sense may feel that the one great opportunity is in agricultural products. Recent rises in some agricultural prices seem to indicate prophecy rather than reality. Speculation may be the cause.

The speculator is sometimes more of a realist than the statistician. The price that he works up by manipulation may be the true price. So it was after the depression of 1895-97; the wheat speculators set the fires of prosperity aburning. A turn in agricultural prices will prove to a doubting world that there is a bottom and an end of business depression, and that the world will come back from collapse, just as it always has, and possibly sooner than in the last great post-war slump—that of 1873 to 1879. It's mostly a case now of thought rather than figures. What business thinks, that it will be. The farmer and the speculator may provide the material for some inspiring business thought.

The Panic of 33

(*Continued from page* 448)

action caused an immediate rise in foreign securities. Roman citizens who bought such obligations could now take the usual legal recourse if payment was withheld.

The agricultural program, which had already cost such vast sums, was to be abandoned. This stopped the further liquidation of other securities by all those affected by this legislation. This liquidation had been going on for months, ever since the Senate had decreed the agrarian measures. Tacitus comments: "Like most plans of reformation, it was embraced at first with ardor, but the novelty ceased and the scheme came to nothing."

From the imperial treasury Tiberius set aside the sum of $4,000,000 which was to be used for the rehabilitation of business. There were certain conditions attached to the loan. The banks were to reloan the money to the neediest businesses. No interest was to be charged for three years. The security had to be real estate, and of double the usual amount of such security.

Almost overnight the real estate market strengthened. Lands which were being sacrificed at almost any price, which had found no purchasers, now became the basis for desirable loans. The upturn began.

Rates of private lenders dropped almost immediately. In a short time money was bringing the usual one per cent per month. With money again at normal, and in some cases below normal rates, the panic was allayed. News came from the other financial centers, from Alexandria, Carthage, and Corinth, that business was again approaching normal.

This was the great panic of the consulship of Galba and Sulla, a series of events which occupied the public mind to the exclusion of almost everything else. In the excitement, minor happenings went unnoticed. One of these unimportant events was mentioned in an official report from the province of Judaea. It recited how the Roman governor, Pontius Pilatus, had put down an incipient uprising by the prompt crucifixion of the ringleaders, a certain Christus and two bandits. But like all official reports, it was filed away to gather dust in the archives, while the people occupied themselves with affairs of moment.

What Second-Quarter Statements Show

(*Continued from page* 459)

$20,452,173 after all charges, as compared with a deficit of $13,218,549 in the first quarter and with a profit of $7,391,355 in the second quarter of last year. The second-quarter showing was the worst in the company's history.

Among other large industrial companies two reports are of especial interest. Westinghouse Electric & Manufacturing Co. reports a loss of $1,881,979 for the second quarter, as compared with loss of $1,320,148 in the first quarter and a profit of $926,604 in the second quarter of last year. Constructive economies instituted by the company in the last two years to reduce costs are officially reported to have effected savings in excess of $3,400,000 a month. This fact appears to indicate that even a moderate improvement in the company's volume of sales could quickly be translated into substantial profits.

The General Electric Co. remains on the profit side of the ledger, despite a 43 per cent decline in sales for the first half of the year, as compared with the first six months of 1931. Profit in the second quarter was $3,788,277, or 11 cents a share on the stock, against $11,323,139, or 37 cents a share, in the second quarter of last year. Operating expenses have been drastically reduced. The almost unique conservatism of this company is reflected strikingly in its balance sheet. After write-offs, the net book value of plant investment is carried at $46,000,000, or less than $3,000,000 in excess of the actual cost of plant investments made during the last three years. Total current assets are $219,000,000 and current liabilities only $28,000,000.

Readers' Forum

(*Continued from page* 470)

Now if business got going too good this money could be taken out of circulation again by floating bonds.

By this plan business could be regulated and held in check both ways, the Government would save interest on the bonds thus retired, the tax just started could be lowered or discontinued and if the Government so desired they could cause prices and wages to advance to a point where the war debt could be paid off in a couple of years.

I do not advocate going to extremes such as stated above, and just wrote that to show what could be done with a weapon as powerful as this.—JOHN BITTERS, Big Run, Pa.

Can Production Be Controlled?

Editor, READERS' FORUM:

You ask in a recent number if the United States Can Recover Alone. In large measure, *yes,* by the simple device of regulating production to consumption, by abolishing the Sherman Act and creating co-operative regulation of industry under the Federal Trade Board.

Relentless, compulsory competition is the most destructive, expensive and senseless scheme ever devised and unworthy of the intelligence of any people.

The principle of the survival of the fittest is cruel and devastating.

The principle of the devil take the hindermost means that we all get the devil.

Will you lead on the road to reason? —ROBERT J. CALDWELL,—Mill Neck, L. I., N. Y.

Wages and Depression

Editor, READERS' FORUM:

Mr. Bankes' article on wages in your issue of April 30th interested me. I am not sure that I agree with him entirely in the details of his solution but it is something to work on. I think wages have been raised too rapidly. For one thing, I think less machinery would have been invented had the rise been more gradual, say from 5% to 12% in a decade.

Why, if food is down 28%, should not the $1,000 a year man be cut as well as the $3,000 a year man? In many programs I note that he is exempted and yet it seems to me that the necessities have fallen in prices as much as the luxuries. I am interested in getting taxes and the things the farmer buys down for him. It seems only fair —hasn't he been the longest sufferer?

The too-rapid rise in wages, the spending of people's future or possible earnings credit, and a too high tariff, to my mind, have been great offenders to the country's well being.—JESSIE K. CRAY, Minneapolis, Minn.

More on Inflation

Editor, READERS' FORUM:

The article on Inflation by Mr. Weldon in your May 28th issue is timely and very interesting. But isn't that picture of the course of inflation on page 184 drawn from a European model? Aren't the conditions therein described dependent upon a progressive liberation of debtors? And how is that possible in the United States where, unless I am misinformed, not only the overwhelming majority of bonds, but likewise mortgages and bank loans, are payable in gold?

So far as I can gather prices in terms of gold actually fall during inflation while prices in terms of paper money are rising. Unless Congress should declare void the gold payment clause in all contracts, and should be upheld by a Supreme Court decision quite contrary to rulings by that court in similar cases after the Civil War, it would seem that the conditions would be vitally different from those obtaining in Europe.

I cannot but feel doubtful that the orgy of inflation you describe could occur in this country. But, as you apparently disagree with me, I would deem it a great favor if you will point out any flaws in my premises or reasoning. It may be that you have in mind a precedent for that picture of inflation against a background of widespread gold-payment contracts such as prevails in America today.—ALONZO KLAW, Santa Barbara, Calif.

Debt Cancellation

Editor, READERS' FORUM:

The April 16 edition of the MAGAZINE OF WALL STREET contained an article quoting the views of Mr. Bernard M. Baruch on foreign debt settlement.

I wish heartily to endorse the idea expressed by him that foreign debts be paid in kind or in foreign currency. I would of course prefer to see them paid in gold but that method appears impossible and cancellation as Mr. Baruch states is undesirable and should not be considered.

When Congress reconvenes in December I hope Mr. Baruch's recommendation will come to the attention of the members of the Senate and House through your magazine or some other organization.—ANGUS J. CAMERON, Forest Lake, Minn.

Bonds Respond to Allayed Fears

(*Continued from page* 461)

been generally well taken by the investing public. Demand for such prime issues does not, of course, indicate that the market for new securities has by any means been restored to complete health. Underwriting bankers are feeling their way and testing the market's absorbing qualities. The refunding operations of three former Insull utilities are imminent and should supply a significant test of improved sentiment.

"Tips" on Books

Book Review Section of The Magazine of Wall Street

MEN, MONEY AND MERGERS

By George L. Hoxie

The Macmillan Co., New York

BECAUSE professors can write and most business men cannot, except through pallid "ghosts," we have a flood of subversive economic literature. If one were to take the great number of more or less popular works on economics which the depression has brought out as the criterion, he would conclude that individualism had been tried and found wanting and that the door now opens on universal socialism. It was high time for such a book as Mr. Hoxie's to appear. He is a former professor who has tempered theory with experience, having forsaken the academic career for that of an applied economist, as economist and research engineer for a large operating electric power company.

The book has an air of propaganda because the author draws his illustrative facts largely from the power industry and frankly takes the role of its champion against the swarm of critics who have assailed it. But why not propaganda? It's about time for someone to take up the printed page in frank defense and even laudation of the power companies. If we must have propaganda why limit it to the destructionists?

Mr. Hoxie extols capitalism on almost every point on which it is assailed. About the only feature which alarms him is the snowballing of wealth in the hands of the few. He concedes that perhaps the State will have to step in and distribute estates at death, by compelling, for example, the division of the large holdings of an individual among the people who co-operated with him in gathering his pile.

Socialism is attacked in its chosen lair of the common good. A strong case is made for the proposition that with all its admitted shortcomings capitalism has historically done a better job for the people than any socialism or near-socialism has ever done. The great present socialism, Russia, which so enchants many of our professors, is virtually dismissed as a system of slavery, being which, it has lost its case at the very beginning. Who wants to be a slave? The Russian people are not working out their own salvation. They are merely taking orders. They have added economic to their former political subjection. The success of the five-year plan or any succession of such plans proves nothing to Mr. Hoxie. It is only the Russian way of catching up with the rest of the world. What is it going to do when it catches up?—that is the question. Competent capitalism with equal power would probably have done a better job than Stalin, more slowly perhaps but with less cruelty. The continuation of Russian socialism is a matter of psychology.

Capitalism's answer to the mass control of socialism is to be found in consolidations and mergers, Mr. Hoxie thinks, tempered by public regulation and disciplined by the political strength of the masses in democracies. Thus business is left in the hands of the fittest but bent to the general good by the public will whenever it devel.ps, in response to the greed of its managers and owners, toward the subservience of the common to the selfish good.

The writer once fell in with a Russian who had been converted from socialism to capitalism by the chance discovery during a long illness that the argument is not all on the side of communism. He was amazed to find at the end of six months of reading that the written case for capitalism is stronger than that for socialism. That is the trouble with most of our parlor socialists. Under a barrage of Utopian books which has silenced the polemics of capitalism, they are unaware of the other side. If they are not fearful of seeing the light they will read "Men, Money and Mergers."—T. M. K.

ANALYZING OUR INDUSTRIES

By Cecil E. Fraser
and
George F. Doriot

McGraw-Hill Book Co.

INVESTORS and business men often display great interest in matters relating to industrial trends and profits but encounter difficulty in finding this information classified by corporate divisions. To understand the essentials of large-scale industrial development in spheres dominated by corporations it has heretofore been necessary to combine numerous researches into a unified picture. *Analyzing Our Industries,* however, contains a coherent account of the historical growth, magnitude and probable future status of the major industrial groups situated principally in the United States.

A dry statistical approach is well avoided but sufficient tables are included to reveal major aspects without loss of perspective, and the numerical illustrations are so smoothly integrated with the text that the interest of the reader does not falter. Numerous graphs of good draftsmanship are used to bring out industrial growth, stock prices of individual corporations under specific conditions, and earnings trends. The authors reveal critical discrimination in their selection of tabular data and analyses, and the whole work is characterized by a closely condensed but lucid style.

The treatment of subject matter is confined to industrial divisions in which large-scale corporate organization predominates. Growth and magnitude are subordinated to problems of corporation survival and profits. The latter emphasis makes the book worthy of careful reading by any stockholder having a stake in American business ownership, and particularly so if he possesses shares of the larger industrials.

Notwithstanding the thoroughness of the treatment of the chapter contents, certain major industries have been omitted from the book entirely. The most important of these are the chemical and electrical equipment businesses, which, because of their great potentiality would seem desirable of inclusion.

Of unusual interest is the complete treatment of industrial groups which have been but sketchily outlined in previous literature, such as aviation, machine tools, paper, cement and farm equipment. Well-indexed and of a clear type style, this volume should become a welcome addition to any investor's library.—T. J. B.

LIQUEFIED WEALTH

By Henry C. Cutting

Henry C. Cutting, Oakland, Calif.

THIS book adds to the many suggestions already offered in these difficult times, for making credit about as common as wealth. The central idea is to make property easily convertible into credit and so into cash. The banks would be compelled to lend on any valuable property and the loan would take the form somewhat of an open line of credit. The loans would be practically perpetual if the value of the property persisted and the borrower preferred paying interest to paying them off. The scheme would give the country an ample supply of money right away if there is any property that is not already plastered to the limit.—T. M. K.